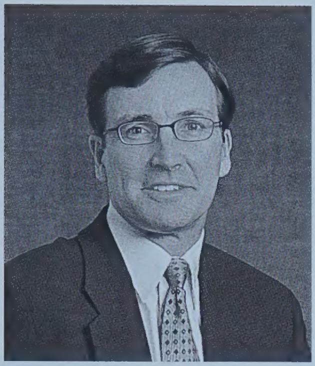
# CCL Industries Inc.

2001 ANNUAL REPORT

# FINANCIAL HIGHLIGHTS

*(in thousands of dollars except per share data)*

| *For the year ended December 31* | 2001 | 2000 |
|---|---|---|
| Sales | $ 1,600,497 | $ 1,589,087 |
| EBITDA | $ 159,879 | $ 183,295 |
| Depreciation, and amortization of other assets | 73,439 | 75,351 |
| Interest | 32,415 | 36,560 |
| Income from operations before unusual items, income taxes and goodwill amortization | 54,025 | 71,384 |
| Unusual items (net) | 7,684 | 18,776 |
| Earnings before income taxes and goodwill amortization | 46,341 | 52,608 |
| Income taxes | 7,993 | 13,156 |
| Earnings before goodwill amortization | 38,348 | 39,452 |
| Goodwill amortization, net of tax | 13,457 | 12,798 |
| Net earnings | $ 24,891 | $ 26,654 |
| Per Class B share | | |
| Earnings before goodwill amortization | $ 1.08 | $ 1.04 |
| Earnings before unusual items | $ 0.83 | $ 1.10 |
| Net earnings | $ 0.70 | $ 0.70 |
| Cash flow before unusual items | $ 3.39 | $ 3.47 |
| **At year end** | | |
| Total assets | $ 1,454,991 | $ 1,392,820 |
| Net debt | $ 435,755 | $ 486,139 |
| Shareholders' equity | $ 563,704 | $ 558,201 |
| Net debt to equity ratio | 0.77 | 0.87 |
| Return on average equity | 4.4% | 4.7% |
| Net debt to total capitalization | 43.6% | 46.5% |
| Book value per share | $ 16.52 | $ 15.22 |
| Number of employees | 6,900 | 7,500 |



Donald G. Lang
*President and Chief Executive Officer*

In the life of any corporation, there are milestones that warrant recognition and celebration. For CCL, 2001 represented one such milestone: our 50th anniversary. In many respects, our longevity has to do with the value we bring to our customer relationships, the value we offer to shareholders, the value-based operations we run, even the value we bring to our employees and the communities in which we operate.

While 2001 was an important year in our history, it also presented some significant challenges. The macro-economic issues of last year, coupled with operating difficulties in our aluminum and plastic tube businesses, translated into a drop in earnings per share before unusual items to $0.83 in 2001 from $1.10 in 2000. Despite these challenges, we are very pleased with the progress made to date on restructuring initiatives and key hires, which have resulted in a more focused operating approach.

It is also worthy to note that as the economy and stock market faltered, CCL's strong fundamentals of manufacturing and market leadership became evident. During 2001 CCL was recognized as a stable, profitable company that offered a good dividend yield and was recommended as a "Buy" by the majority of the industry analysts that follow the Company.

As a stakeholder, you may be aware that our business, while not totally recession proof, is able to weather the peaks and valleys of the economic cycle. At the very least, the sale of personal care and non-durable household products – the foundation of our business – is fairly recession resistant. Regardless of whether the times are good or bad, people still buy soap, shampoo and cleaning products.

We are a "bricks and mortar" company that has invested in technologies that lower costs, bring greater efficiencies to our operations, and help us enhance our customer relations. Following the height of the technology equity boom, CCL, like many industrial companies, was not in favour. The events of 2001 brought the investors' attention back to the packaging industry and to CCL. These market dynamics, along with confidence in our restructuring initiatives, translated into a 67% increase in CCL's stock price, which moved from $8.75 at the beginning of 2001 to $14.60 by year's end.

The challenges of the last two years also reminded us of the importance of focusing and protecting CCL's core businesses and strengthening our balance sheet to support growth. Looking back, we embarked on several key business goals that – although designed to build a stronger company for the long term – have also been key in weathering our current economy.

These included: ensuring we have the right people in the right spots; divesting non-core, non-performing businesses; continuing to improve our strong cash flow; continuing to add innovative products and services; and addressing operational issues. We are pleased to report that substantial progress has been made on all fronts.

In 2001, CCL added two experienced industry veterans to its management team, including Gene Dorsch, president of CCL Plastic Packaging. As a former president of Seaquist, Zeller, and Calmar, Gene has over 30 years of experience in the plastic closures and dispensing products industry and has made significant changes and progress in his short tenure with CCL. We also welcomed Geoffrey Martin, the new president of CCL Label and a veteran of the pressure-sensitive labeling industry, whose expertise will do much to help the Division advance its position as a competitive global innovator.

Last year we were also pleased to welcome two new directors to CCL. Stephen Friedman is a senior partner with the New York-based international law firm of Debevoise & Plimpton, who also served as commissioner of the Securities Exchange Commission. Jean-René Halde is the president and CEO of Irwin Toys and was president and CEO of Livgroup Investments. Both gentlemen bring with them significant experience in the U.S. and Canadian marketplace.

On the divestiture front, our pharmaceutical business based in the United Kingdom was sold to Miza Pharmaceuticals Inc., a company with greater expertise in this specialized area. Yet through a minority equity interest in the business and a seat on the Board of Directors, CCL has retained an attractive investment along with the opportunity to add value through our established customer network.

In a similar vein, we merged part of our dispensing closure business with Chicago-based PPC America LLC, a move that streamlines our Los Angeles facility by letting it concentrate on plastic tube production while we retain majority ownership in the new company, called CCL Dispensing Systems LLC. Another example of our shedding a non-performing business was the sale of our interest in the Shanghai, China aerosol and liquid filling operation. This joint venture showed promise when we entered into it five years ago, but unfortunately became hampered by the amount of management time required to follow through on our original vision.

During 2001 we also identified that K-G Packaging and its associated businesses, Air Guard Control and North American Professional Products (NAPP), should be sold. These businesses concentrated on the paint and insecticide markets and so had few synergies with the rest of the Custom Manufacturing Division and its customer base. Two of these three divestitures were completed at the end of 2001 and early in 2002.

Improving cash flow was another key business thrust in 2001. During times of economic sluggishness, cash is "King," and CCL generated over $81 million during the year through aggressive working capital management, tight-fisted capital expenditure programs and the sale of non-core assets. For example, cash flow per Class B share before unusual items remained strong at $3.39 per share. Cash on hand at year end amounted to $112.9 million, and there was a significant drop in net debt to capitalization from 46.5% in 2000 to 43.6% in 2001.

Fiscal responsibility, however, must be balanced with prudent investment, particularly in an industry where innovation, needs-based solutions and customer satisfaction are intricately linked. As such, we reinvested approximately $56 million across all divisions during the year to maintain existing assets and support growth opportunities.

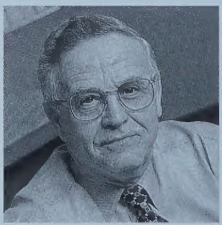
One of the greatest areas of growth emanates from changes in the consumer products industry itself, where marketers are streamlining their operations – especially manufacturing – in the pursuit of greater profitability. This year, two such marketers – Dial Corporation and Schwarzkopf Dep – entrusted CCL to take over their manufacturing and packaging functions, freeing them to focus on product development and marketing. Investment in our Danville, IL and Memphis, TN Custom Manufacturing plants was required to ensure both customers receive dependable, high-quality service.

Steven Lancaster
*Senior Vice President and Chief Financial Officer*

Mary Roy
*Vice President Environmental and Regulatory Services*

Richard Zakaib
*Vice President Corporate Development*

Janis Wade
*Senior Vice President Human Resources and Corporate Communications*



Mel Snider
*Executive Vice President*

Additional investments were made during the year in the categories of high growth and specialty products. CCL Label, for example, introduced state-of-the-art platform presses capable of combining complex printing processes to create the visually distinctive labels marketers need to differentiate their products. We also took our Label Division to the international stage with the acquisition of the Jarvis Porter label business early in 2002. With operations in the United Kingdom, France and the Netherlands, we are now able to better support our global customers.

As well, CCL Container's new Wilkes-Barre, PA facility came online, strategically located to provide east coast pharmaceutical and cosmetics customers with highly decorated plastic tubes. This is another growth area and will help support our Los Angeles-based west coast operation.

At CCL Custom Manufacturing, the trend toward long-term "full-service" contracts with marketers continues. These tend to entail more of the purchasing and logistics of raw materials, and provide CCL with opportunities to form deeper alliances with customers. In the past couple of years alone, full-service contracts have gone from 60% of Custom Manufacturing's workload to over 70%, a significant increase representing approximately 700 million units annually. Such activity helped the Division's operating income jump 10% over year 2000, to $46 million from $42 million.

Looking ahead to 2002, our aim is to stay the course, mainly by continuing what we have been doing over the past two years. In particular, we will be prudently managing our balance sheet through these difficult times, so that when the economy improves, CCL will be well positioned to reap the benefits. As well, we will continue divesting non-core, non-performing parts of the business so as to create a clearer focus for the overall Company.

Although our earnings are lower than the previous year's, we are very excited about our clarity of vision and the steps being taken to put CCL in a good position to grow and capture new opportunities.

As with individuals, the life of all corporations is filled with challenges, rewards, joy, and sometimes sorrow. For CCL, 2001 brought all these things, from the joy of celebrating our successes and our 50th anniversary to the sorrow of losing a friend and our founder.

In December, we were all saddened when Gordon S. Lang, CCL's founder, passed away. Gordon was a force within CCL, helping it grow from one man's idea to an industry leader with sales of $1.6 billion, employing thousands of people in many different countries. And while he may be gone, his risk-taking vision, energy and sense of commitment remain part of CCL's corporate soul. They are traits that have guided us well, and will continue to do so.

Donald G. Lang
*President and Chief Executive Officer*

Jon K. Grant
*Chairman of the Board*

Akhil Bhandari
*Vice President*
*Information Technology*
*and Chief Information Officer*

Paul Cummings
*President*
*CCL Custom Manufacturing*

Rami Younes
*President*
*CCL Container*

Geoffrey Martin
*President*
*CCL Label*

Gene Dorsch
*President*
*CCL Plastic Packaging*

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements, including statements concerning possible or assumed future results of operations of the Company. Forward-looking statements typically are preceded by, followed by or include the words – "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and the Company's results could differ materially from those anticipated in these forward-looking statements.

## Background

CCL Industries Inc. creates innovative packaging solutions internationally for personal care and household consumer products. CCL is a market leader in the packaging markets it serves: outsourcing and custom manufacturing; specialty aluminum, tin, laminate and plastic container packaging; and high-impact identification and information labels. Its packaging solutions are used by the largest international consumer brands in personal care, cosmetics, pharmaceutical, household and specialty food products. CCL operates three major business units being the Custom Manufacturing, Container and Label Divisions. The Company employs approximately 6,900 people and operates 35 production facilities in North and Central America and Europe.

## Overview

The Company's results in 2001 continued to be adversely affected for a second year by sluggish demand for non-durable consumer products in North America and Europe. This reduced demand pattern, in addition to specific operational issues in the Container and Label Divisions, significantly lowered the combined operating results of the Company. The Container and Label Divisions were impacted by the lower demand, which became noticeable in mid 2000 and continued throughout 2001. Demand in the non-durable manufacturing sector in the United States, as measured by the Federal Reserve, was down 2.9% in the fourth quarter of 2001 and 3.3% over the full year. This compares to a reduction of 4.4% and 1.6% for the same periods in 2000. In 2001, the Custom Manufacturing Division exceeded both the sales and operating income levels achieved in 2000, due to increased market share and the continued strong trend to outsourcing by national marketers.

The fourth quarter was particularly difficult for CCL. The September 11th terrorist attacks in the United States disrupted order patterns and logistics within the industry. Sales patterns continued to be erratic in the fourth quarter. In October, sales increased 21% and 6% in Custom and Container respectively, while Label dropped 18% compared to the previous year. However, in the months of November and December, all Divisions experienced much lower sales volumes compared to 2000. Combined sales, before considering foreign exchange and disposals, dropped over 9% in these two months and 3% for the full quarter. If foreign exchange and disposals are considered, sales dropped 4% in the quarter. The lower than expected sales, along with a larger than anticipated provision for slow-moving and obsolete inventories and for uncollectible receivables in the plastic packaging plant in Los Angeles, CA, resulted in earnings per Class B share, before unusual items, of $0.16 in the fourth quarter compared to $0.22 in the same quarter in 2000.

CCL's business has also been affected by the continuing trend of consolidation in the consumer products industry along with the rationalization of customers' manufacturing facilities, and the reduction of the number of brands being offered to retail customers. These changes have resulted in increased expectations from marketers for price reductions, shorter and more frequent production runs to reduce inventory levels, and the ability to interface electronically with their customers and suppliers in order to reduce the time and costs of transactions.

The Company responded to the above changes in market conditions and operational issues during 2001 with a number of initiatives designed to maintain margins, minimize the effect of volume reduction, and improve long-term shareholder value. Significant cost-cutting, restructuring, working capital reduction, and capital spending reduction programs were instituted. The Company also continued with its plan to divest a number of under-performing and non-core businesses.

Despite the lower earnings from operations for the year of $0.83 compared to $1.10 in 2000, CCL generated cash flow from operations, before unusual items, of $3.39 per Class B share compared to $3.47 in 2000. These funds, along with proceeds from asset disposal transactions amounting to $40.5 million and the working capital reduction effort, were used for debt reduction, share repurchases, dividends to shareholders, restructuring, and investment in plant and equipment. During 2001, the Company repurchased over 2.6 million shares for $29.5 million, paid dividends of $11.4 million, spent $9.6 million on restructuring, and $55.6 million on capital additions. Net debt declined $81.8 million in 2001, excluding the foreign exchange impact on the U.S. dollar denominated loans. Net debt to capitalization of 43.6% at year-end was substantially lower than the 46.5% a year earlier.

The Company's outlook for 2002 is reflective of a gradual improvement in demand and a return to more normal levels of operating results. Management believes that the current restructuring plans, which should be largely completed by the end of the first quarter, will yield significant operational improvements during 2002. The more positive current economic outlook for demand for consumer products and the management actions taken in 2001 should translate into stronger order patterns and financial results, particularly in the last half of the year.

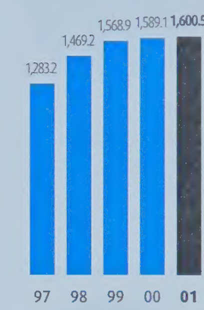
# Financial Summary

## Results of Consolidated Operations

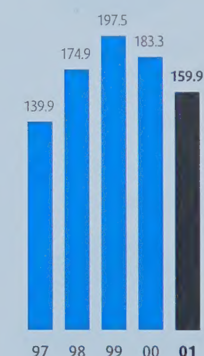
| | 2001 | 2000 | Change $ | Change % |
|---|---|---|---|---|
| Sales | **$ 1,600.5** | $ 1,589.1 | 11.4 | 0.7 |
| EBITDA | **$ 159.9** | $ 183.3 | (23.4) | (12.8) |
| Depreciation, and amortization of other assets | **73.4** | 75.4 | (2.0) | (2.7) |
| Interest | **32.4** | 36.5 | (4.1) | (11.2) |
| Income from operations before unusual items, income taxes and goodwill amortization | **54.1** | 71.4 | (17.3) | (24.2) |
| Unusual items (net) | **7.7** | 18.8 | 11.1 | |
| Earnings before income taxes and goodwill amortization | **46.4** | 52.6 | (6.2) | |
| Income taxes | **8.0** | 13.1 | (5.1) | |
| Earnings before goodwill amortization | **38.4** | 39.5 | (1.1) | |
| Goodwill amortization, net of tax | **13.5** | 12.8 | 0.7 | |
| Net earnings | **$ 24.9** | $ 26.7 | (1.8) | (6.7) |
| Per Class B share | | | | |
| Earnings before unusual items and goodwill amortization | **$ 1.21** | $ 1.43 | (0.22) | (15.4) |
| Earnings before unusual items | **$ 0.83** | $ 1.10 | (0.27) | (24.5) |
| Net earnings and fully diluted earnings | **$ 0.70** | $ 0.70 | | |
| Cash flow before unusual items | **$ 3.39** | $ 3.47 | (0.08) | (2.3) |

| **Balance Sheet Data** | 2001 | 2000 |
|---|---|---|
| Assets | **$ 1,455.0** | $ 1,392.8 |
| Shareholders' equity | **$ 563.7** | $ 558.2 |
| Number of shares outstanding (million) | **34.1** | 36.7 |
| Book value per share (dollars) | **$ 16.52** | $ 15.22 |
| Net debt | **$ 435.7** | $ 486.1 |
| Net debt to capitalization | **43.6%** | 46.5% |

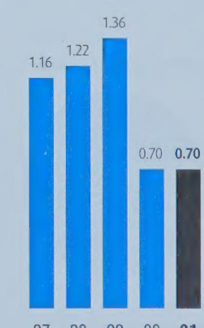
**Sales**
Millions of dollars




**EBITDA**
Millions of dollars




**Earnings per Class B Share**
Dollars




## Report on Consolidated Results

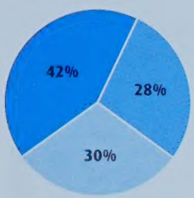
In 2001, consolidated sales of $1.6 billion increased by $11.4 million or less than 1% compared with the prior year. When the effect of foreign exchange and sales from dispositions made in 2000 and 2001 are excluded, sales increased by $62.8 million or 8% in the Custom Manufacturing Division, and decreased by $15.7 million or 5% in the Container Division and by $31.9 million or 8% in the Label Division. As discussed below under the Custom Manufacturing divisional results, a portion of the sales increase for this division is attributable to additional "full-service" contracts. These contracts increase the reported sales dollars per unit of product sold.

Earnings before interest, taxes, depreciation, amortization and unusual items (EBITDA) decreased $23.4 million to $159.9 million or 13% compared to 2000. This decrease represents a combination of decreased demand, margin and product mix, in addition to the specific operational issues discussed below in the Container and Label Divisions.

Depreciation and amortization of other assets of $73.4 million in 2001 decreased $2.0 million compared to 2000. Interest expense for the year of $32.4 million was $4.1 million lower than 2000 due to the significant reduction made in short-term debt during 2000 and 2001 and increased interest earned on short-term investments of surplus cash. Interest expense was also reduced due to the benefit of an Interest-Rate Swap Agreement for part of the year and due to the amortization of the gain made on the sale of the swap.

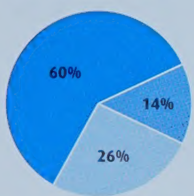
Unusual items are comprised of restructuring costs and net foreign exchange gains on capital repatriated from foreign subsidiaries. Unusual items represent $0.13 per share in 2001 compared to $0.40 per share in 2000, after related taxes of $3.1 million and $3.5 million respectively. Restructuring costs incurred, before tax, of $9.6 million during the year, relate primarily to actions taken in the Label and

**2001 EBITDA**



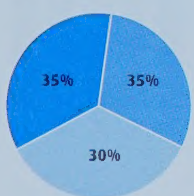

by Division
- Custom Manufacturing
- Container
- Label

**2001 Operating Income**



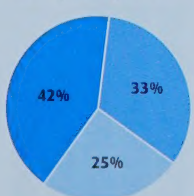

by Division
- Custom Manufacturing
- Container
- Label

**2000 EBITDA**




by Division
- Custom Manufacturing
- Container
- Label

**2000 Operating Income**




by Division
- Custom Manufacturing
- Container
- Label

Container Divisions to refocus these businesses and to reduce their cost structures. In 2000, the Company incurred $18.8 million, before tax, for restructuring. Included in this amount was $17.0 million for losses on disposal of under-performing or non-core business units. There are no additional plans for restructuring of operations, once the current plans are completed in early 2002. However, if the anticipated increase in demand does not materialize and match production capacity, it will be essential to consider further cost cutting and restructuring measures. The net foreign exchange gains of $1.9 million arise from the difference between the exchange rate in effect on the date the capital was returned to Canada, compared to the historical rate in effect when the capital was invested. These amounts are not subject to income tax.

The effective income tax rate for the Company is lower than the combined Canadian federal and provincial income tax rate due to lower tax rates in foreign jurisdictions. The effective income tax rate, before unusual items, for the year was 23.0% compared to 25.4% in 2000 due principally to substantially lower income in jurisdictions with higher rates. The rate, in any given year, is also affected by unrecognized tax losses and the impact of non-deductible goodwill amortization. The Company expects that future years' tax rates will be somewhat higher on the assumption that operating results will improve in jurisdictions with relatively higher income tax rates.

Income from operations for the year, before unusual items, income taxes and goodwill amortization, was $54.1 million compared to $71.4 million for 2000. Goodwill amortization, net of tax, of $13.5 million increased $0.7 million in 2001 compared to 2000. Net earnings for the year of $24.9 million and earnings and diluted earnings per Class B non-voting share of $0.70 compared to $26.7 million and $0.70 respectively in 2000.

Cash flow per share, before unusual items, was modestly lower in 2001 due to the decreased earnings, and amounted to $3.39 per share in 2001 compared to $3.47 per share in 2000.

As at December 31, 2001, Shareholders' Equity stood at $563.7 million compared to $558.2 million a year earlier. There were 34.1 million Class A voting and Class B non-voting shares outstanding compared with 36.7 million a year earlier. Total debt was $548.6 million as at December 31, 2001 compared to $518.1 million a year earlier. The foundation of the Company's long-term debt is comprised of three private placements for a total US$333.0 million (Cdn$530.4 million) at December 31, 2001, with an average interest rate of 6.9%, a seven-year average term to maturity and the first repayment of US$9.4 million (Cdn$15.0 million) due September 2002. During the year, the devaluation of the Canadian dollar, compared to the U.S. dollar, resulted in an increase of $31.4 million in the carrying value of U.S. dollar denominated debt as at December 31, 2001 compared to the carrying value at December 31, 2000. Net debt, which considers the cash on hand at the same dates, was $435.7 million as at December 31, 2001 compared to $486.1 million a year earlier. The net debt to capitalization at December 31, 2001 was 43.6% compared to 46.5% at December 31, 2000.

## Quarterly Sales and Earnings by Division

| 2001 | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Year |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| Custom Manufacturing | $ 237.3 | $ 221.8 | $ 218.9 | $ 208.3 | **$ 886.3** |
| Container | 81.7 | 87.3 | 81.9 | 77.3 | **328.2** |
| Label | 104.8 | 101.7 | 91.8 | 87.7 | **386.0** |
| Total sales | $ 423.8 | $ 410.8 | $ 392.6 | $ 373.3 | **$ 1,600.5** |
| **Divisional operating income** | | | | | |
| Custom Manufacturing | $ 11.0 | $ 12.3 | $ 11.8 | $ 10.9 | **$ 46.0** |
| Container | 5.7 | 5.7 | (1.0) | 0.3 | **10.7** |
| Label | 4.6 | 4.9 | 6.3 | 3.6 | **19.4** |
| Contribution from operations | $ 21.3 | $ 22.9 | $ 17.1 | $ 14.8 | **$ 76.1** |
| Unusual items | – | $ 1.9 | $ 2.7 | $ 3.1 | **$ 7.7** |
| Earnings before goodwill amortization | $ 11.1 | $ 11.2 | $ 9.5 | $ 6.6 | **$ 38.4** |
| Net earnings | $ 7.8 | $ 7.9 | $ 6.2 | $ 3.0 | **$ 24.9** |
| **Per Class B share** | | | | | |
| Earnings before unusual items and goodwill amortization | **$ 0.30** | **$ 0.34** | **$ 0.31** | **$ 0.26** | **$ 1.21** |
| Earnings before unusual items | **$ 0.21** | **$ 0.26** | **$ 0.20** | **$ 0.16** | **$ 0.83** |
| Net earnings | **$ 0.21** | **$ 0.22** | **$ 0.17** | **$ 0.10** | **$ 0.70** |

| 2000 | | Qtr 1 | | Qtr 2 | | Qtr 3 | | Qtr 4 | | Year |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | | | |
| Custom Manufacturing | $ | 223.9 | $ | 204.4 | $ | 200.4 | $ | 203.6 | $ | 832.3 |
| Container | | 88.3 | | 81.9 | | 82.7 | | 80.2 | | 333.1 |
| Label | | 106.8 | | 108.8 | | 106.0 | | 102.1 | | 423.7 |
| Total sales | $ | 419.0 | $ | 395.1 | $ | 389.1 | $ | 385.9 | $ | 1,589.1 |
| **Divisional operating income** | | | | | | | | | | |
| Custom Manufacturing | $ | 12.9 | $ | 11.7 | $ | 9.4 | $ | 8.0 | $ | 42.0 |
| Container | | 9.0 | | 9.4 | | 7.9 | | 6.3 | | 32.6 |
| Label | | 8.1 | | 7.7 | | 6.1 | | 3.6 | | 25.5 |
| Contribution from operations | $ | 30.0 | $ | 28.8 | $ | 23.4 | $ | 17.9 | $ | 100.1 |
| Unusual items | | – | | – | | – | $ | 18.8 | $ | 18.8 |
| Earnings/(loss) before goodwill amortization | $ | 15.8 | $ | 15.4 | $ | 12.0 | $ | (3.7) | $ | 39.5 |
| Net earnings/(loss) | $ | 12.6 | $ | 12.2 | $ | 8.8 | $ | (6.9) | $ | 26.7 |
| **Per Class B share** | | | | | | | | | | |
| Earnings before unusual items and goodwill amortization | **$** | **0.41** | **$** | **0.40** | **$** | **0.31** | **$** | **0.31** | **$** | **1.43** |
| Earnings before unusual items | **$** | **0.33** | **$** | **0.32** | **$** | **0.23** | **$** | **0.22** | **$** | **1.10** |
| Net earnings/(loss) | **$** | **0.33** | **$** | **0.32** | **$** | **0.23** | **$** | **(0.18)** | **$** | **0.70** |

## Summary of Operations by Division

| | | 2001 | | 2000 | % Change |
|---|---|---|---|---|---|
| **Divisional sales** | | | | | |
| Custom Manufacturing | **$** | **886.3** | $ | 832.3 | 6.5 |
| Container | | **328.2** | | 333.1 | (1.5) |
| Label | | **386.0** | | 423.7 | (8.9) |
| **Divisional EBITDA** | | | | | |
| Custom Manufacturing | **$** | **69.1** | $ | 67.4 | 2.5 |
| Container | | **46.7** | | 66.8 | (30.1) |
| Label | | **48.7** | | 55.9 | (12.9) |
| **Divisional operating income** | | | | | |
| Custom Manufacturing | **$** | **46.0** | $ | 42.0 | 9.5 |
| Container | | **10.7** | | 32.6 | (67.2) |
| Label | | **19.4** | | 25.5 | (23.9) |
| | | **76.1** | | 100.1 | (24.0) |
| Corporate expense | | **(5.4)** | | (7.4) | 27.0 |
| Interest expense | | **(32.4)** | | (36.5) | 11.2 |
| Income from operations before unusual items and income taxes | **$** | **38.3** | $ | 56.2 | (31.8) |

## Report on Divisional Operations

**Custom Manufacturing**

The Custom Manufacturing Division produces aerosol, liquid, cream, lotion, toothpaste and solid stick products for marketers of well-known consumer brands. It is the largest contract manufacturer of aerosol products in the world and has three plants in the United States, two in Canada, two in the United Kingdom, and one in Germany.

In December 2001 and early 2002, CCL sold, in two separate transactions, a portion of its K-G Packaging business located in Concord, ON which formulates and fills industrial aerosol liquid products. Proceeds received in 2001 and early 2002 in connection with these transactions were $7.8 million and $9.1 million respectively. The Company anticipates selling the balance of the K-G Packaging business in 2002. No gain or loss is expected as a result of these transactions.

The core competency of CCL Custom Manufacturing is the formulation and filling of products from the formulas and specifications provided by the marketer and for which the Division receives a filling fee for each unit produced. In some cases, the customer provides the Division "as free issue" a number of the chemicals and packaging components used in the manufacture of the finished product. In other cases, the Division, for an additional charge, purchases common chemicals and/or components for these products. This purchasing activity, coupled with the formulation and filling activity by the Division, is referred to as "full-service." The filling fee plus the recovery of the total cost of purchasing materials for the customer, if applicable, are reported as revenue at the time the goods are shipped and ownership transfers to the customer. The purchasing activity under "full-service" contracts generates incremental income but does not provide the same return per additional sales dollar as the formulation and filling service.

These contracts benefit the Division and the marketers through CCL's ability to combine purchasing leverage for materials. They also result in CCL assuming responsibility for the management of a portion of the marketer's working capital, thereby improving their return on assets and solidifying customer relationships. "Full-service" activity has increased in recent years with the trend by customers to reduce their investment in manufacturing assets and to focus on brand development and marketing.

Year over year, sales for this Division increased $54.0 million, or 6%, to $886.3 million. Excluding both the effects of foreign exchange, and the sale of the China joint venture and U.K. pharmaceutical operations earlier in 2001, sales increased 8% compared to 2000. This increase, if the above dispositions are excluded, results primarily from a 6% unit growth during 2001 in selected product categories. During the year, the Division continued to secure new business and renew contracts for existing business. Production under some of the more significant new contracts started during the third quarter of 2001, and thus will continue to affect volumes in 2002. At the same time, however, this Division continues to be affected by reduced margins due mainly to pricing pressure.

Custom Manufacturing's largest product category is aerosol filling followed by liquid filling. Personal care and household liquid volumes increased approximately 8% in North America and Europe in 2001, compared to 2000, whereas aerosol volumes increased approximately 5%. The increase in aerosol volumes was due to a significant increase in demand for "bag-in-can" barrier products that are filled in the German facility. These increases in volume were achieved despite the softness in the personal care and pharmaceutical product categories and are attributable to a number of new contract awards in 2000 and 2001.

The North American and European aerosol industry usage of personal care and household products remained fairly constant at just under the 7 billion unit level, of which approximately 50% was outsourced for filling to contract manufacturers in both 1999 and 2000. Industry data is not yet available for 2001.

In total, the Custom Manufacturing Division contributed $46.0 million in operating income in 2001 compared to $42.0 million in 2000. EBITDA was $69.1 million and $67.4 million in 2001 and 2000 respectively. During the first half of 2001, the Division completed the disposition of both the China joint venture and the U.K. pharmaceutical operations. In 2001, these non-core operations incurred a pre-sale operating loss of $0.6 million compared to a $3.9 million operating loss during 2000.

During the year, to reduce costs and maintain and expand its manufacturing base, the Division spent $16.8 million on capital investments, compared to $23.5 million in 2000. Depreciation and amortization for the Division in 2001 decreased $2.3 million to $23.2 million compared to $25.5 million in the previous year. Recent investment in new production equipment has been directed to growing product lines such as barrier filling of gel aerosol products and the more complex personal care creams and lotions. The Division believes it currently has sufficient filling capacity installed to meet expected demand for aerosol and other traditional liquid products.

The Custom Manufacturing Division's pricing to marketers is normally comprised of a manufacturing fill fee plus a charge for purchasing raw materials. The risk of raw material price fluctuations is minimized since these costs are passed on to the customer.

In many instances, this Division produces for marketers who also have in-house manufacturing facilities or alternative suppliers. In recent years, there has been a significant number of mergers within the customer and the competitor bases. At the same time, some large marketers have been selling their non-core brands to new and smaller marketers in order to concentrate on mass-market brands. Many of these new and smaller marketers have no in-house manufacturing capabilities. The current trend of marketer consolidation and facilities rationalization creates both risks and opportunities for the Division. A customer merger may result in economies of scale for the marketer, justifying consolidation of products in-house or, alternatively, additional outsourcing with contract manufacturers. However, as customers become larger through industry consolidation, they are also able to exert increased margin pressure on contract manufacturers, while striving to reduce their supplier base to obtain purchasing leverage and reduced transaction costs. CCL's Custom Manufacturing Division, with its size, updated information systems, and the geographic coverage of its plants, is a logical contender for any new outsourcing opportunities.

**Container**

The Container Division is North America's largest manufacturer of aluminum specialty containers, including recyclable aerosol cans and bottles, and aluminum and tin tubes. The Division is also a leading manufacturer of laminate tubes, plastic tubes, closures and jars. In 2001, it operated from seven plants in the United States, and one in each of Canada, Mexico and Costa Rica.

Divisional sales for 2001 decreased $4.9 million to $328.2 million compared to $333.1 million in 2000. Excluding the effect of foreign exchange, sales decreased 5% during the year. The Container Division's sales of aerosol containers to the Custom Manufacturing Division were $19.3 million in 2001 compared to $17.2 million in 2000. These inter-divisional sales are eliminated from the above sales for external reporting purposes. EBITDA decreased $20.1 million to $46.7 million and the Division's operating income decreased by $21.9 million to $10.7 million for the year due to significant volume and operational issues in the aluminum tube and plastic business units.

Sales in the North American aerosol business unit were down modestly in 2001 compared to 2000 due to the difficult economic climate. However, the income contribution from this business was 7% higher than 2000 as a result of manufacturing efficiencies and a shift in product mix to higher margin specialty aerosol containers. Sales and income contribution from the smaller laminate and international business units were stronger in 2001 compared to the prior year.

Sales in the aluminum tube business were down 5% in 2001 compared to 2000. This unit had a modest operating loss in 2001 and experienced a number of operational issues and reduced demand for higher margin product lines. The recently enlarged Harrisonburg, VA facility experienced difficulty integrating manufacturing lines being relocated as part of a consolidation with the Carrollton, KY plant while absorbing new business at the same time. The Harrisonburg management team was strengthened in order to address the situation. The Carrollton plant was closed by year end.

Sales of the plastic packaging business unit decreased by 6% in 2001 compared to 2000 and a substantial loss was incurred in 2001. The business experienced significant operating problems in 2001, which resulted in the implementation of a major restructuring plan. Gene Dorsch, an industry veteran, was appointed president of Plastic Packaging in August 2001, with a mandate of overseeing operations and returning the business to profitability. Management, operating systems, and controls are being strengthened, and the large Los Angeles, CA plant has been downsized to focus on fewer technologies. Some of the original business base, equipment, and technologies in the Los Angeles facility have been transferred to the Wilkes-Barre, PA plant which opened mid-year to focus on the large East Coast customer base, and to the CCL Dispensing Systems joint venture in Libertyville, IL formed in June, 2001. The business of the joint venture has increased significantly since its formation. The operating losses for 2001 have also been impacted by electricity blackouts early in the year and higher energy costs. The 2001 loss includes a write-off amounting to $6.8 million for slow-moving and obsolete inventories and uncollectible receivables.

The Los Angeles, CA land and building were sold and leased back at the end of September 2001. This transaction generated $25.1 million in cash. The sale of this facility is consistent with the strategy of downsizing and focusing this plant over the near-term.

The Container Division spent $21.0 million on capital, compared to $26.4 million in 2000, to reduce costs and expand its base. Depreciation and amortization in 2001 amounted to $35.9 million compared to $34.2 million in 2000. Major expansion projects included equipment for the new East Coast plastic plant; electrical generators to reduce the risk of shortages; molds and tooling for Los Angeles; and the building expansion and equipment relocation for the Harrisonburg and Libertyville facilities.

A significant variable cost in the Container Division is aluminum, which represents over 45% of the cost of finished containers. Aluminum is a commodity that trades on the London Metal Exchange, and is supplied by a limited number of global producers. Volatility in aluminum prices can significantly impact manufacturing costs and may influence marketers to shift to alternative types of containers. The Division uses a hedging program, in combination with fixed price contracts with a number of its significant customers, to moderate the fluctuations in the cost of this commodity and to stabilize profit margins. Fluctuations in the market price of aluminum during 2002 will not have a material impact on the Division's 2002 operations as the majority of its estimated requirements have been hedged with forward contracts. Contracts have also been purchased to cover a significant portion of the expected requirements in 2003 and 2004.

The Container Division is also a significant converter of polyethylene and polypropylene plastic resins. During 2001, prices for resins remained fairly stable due to economic activity being in balance with production. Expectations for 2002 are for stable resin prices due to the economic slow-down and available manufacturing capacity. There is no viable hedging mechanism similar to the one used for aluminum available for these types of plastic resins. The Division has to rely on contracts with suppliers and customers to control prices and to pass on price increases for costs such as resin and energy.

The plastic packaging plant in Los Angeles, CA incurred a number of shutdowns in late 2000 and early 2001 from electricity shortages and blackouts. Back-up electrical generating equipment was installed by mid 2001 to minimize these problems.

The Container Division has invested significant time and dollars in innovative techniques to utilize its manufacturing equipment and expertise in order to expand the product lines available to its customers. While the standard aerosol market remains mature, specialty containers such as beverage mugs, sports drink bottles, threaded bottles, and barrier packages continue to be promising growth markets. The demand remains high for the Division's new larger size/highly decorated personal care and cosmetic plastic and laminate tubes, innovative closures, and tube applicators, which expand the customer's market and differentiate its product lines.

The market for the traditional aluminum, tin and smaller sized plastic tubes is expected to grow modestly. The biggest risk and opportunity within these categories remains movement of market share between the Division and its competitors, including imports.

**Label**

The Label Division is a leading North American producer of pressure-sensitive self-adhesive labels and promotional products. The Division designs and prints a wide range of high-quality paper and film, expanded content, promotional, coupon, prime and in-mold labels for a broad spectrum of consumer applications in eight plants in the United States, three in Canada, one in Mexico and one in Puerto Rico.

On January 25, 2002, the Company announced the acquisition of four European pressure-sensitive label plants from Jarvis Porter PLC for Cdn$16 million. Two plants are in the United Kingdom and one in each of France and the Netherlands. The agreement to purchase these plants, with annualized sales of approximately $50 million, closed on February 1, 2002.

Sales in the Label Division decreased by $37.7 million or 9% in 2001 to $386.0 million compared to 2000. Sales, after excluding both the effects of foreign exchange translation and sales related to the labeling equipment business unit, which was sold in fourth quarter 2000, declined 8% during the year. Operating income in 2001 decreased $6.1 million or 24% and the Division's EBITDA for the year was $48.7 million, a $7.2 million decrease, compared to $55.9 million in 2000. These reductions reflect the continuation of the operating issues experienced by the Division, which started in 2000, and the unprecedented industry slow-down and sharp drop in order activity following the September 11th terrorist attack.

The Label Division carried out a restructuring plan during the year under the direction of its new president, Geoffrey Martin, who was appointed in early 2001. This restructuring was substantially completed at year end. The plants in the United States have been reorganized into a network of decentralized and focused label businesses with each group specializing in the technology requirements and other needs of specific customers. This plan has resulted in a significant reduction in selling expenses, as well as administrative and fixed expenses in the Division. All Label plants, except Charlotte, NC which is now operating at close to break-even, continue to be profitable, despite the significant slow-down in demand.

The Division spent $16.8 million on capital assets in 2001, compared to $10.3 million in 2000. The 2001 capital was spent on maintenance and cost reduction projects, and included the $4.0 million to purchase the Hightstown, NJ land and building. Depreciation and amortization in 2001 was $29.4 million compared to $30.3 million in 2000.

The Label Division uses paper and plastic film raw materials sourced from the paper and petrochemical industries. Historically, during periods of price volatility for raw materials, the Label Division has been able to pass on these cost increases to customers. As customers rationalize suppliers and leverage their buying power, this Division has experienced aggressive price competition. However, this growing trend among customers to adopt a global approach to supply has led to a need for suppliers who can effectively handle the larger volumes. CCL's Label Division is well positioned with its seventeen plants in North America, Mexico, and now Europe, to meet this need.

There is a close alignment in label demand to the change in consumer demand for non-durable goods. Management believes that the demand for functional labels, for multi-lingual, high visibility and high-impact packaging, and for high-end consumer coupons and booklets will continue to drive growth in the pressure-sensitive label market. The Division will continue to direct its investment dollars to these high-end personal care, pharmaceutical and specialty promotion markets, and its operating strategy is to optimize the utilization of existing plants and their unique capabilities. Product innovation will remain a key priority to enable growth within these markets and to support entry into new markets.

## Liquidity and Capital Structure

During the year, the Company repaid the balance of its revolving bank operating line. The first scheduled repayment of US$9.4 million (Cdn$15.0 million), under the provisions of the long-term debt agreements, is due September 16, 2002. The net debt analysis is as follows:

| ($ millions) | December 31, 2001 | December 31, 2000 |
|---|---|---|
| Current debt | $ 29.7 | $ 13.8 |
| Long-term debt | 518.9 | 504.2 |
| **Total debt** | 548.6 | 518.0 |
| Cash on hand | (112.9) | (31.9) |
| **Net debt** | $ 435.7 | $ 486.1 |

The reduction in net debt outstanding is attributed to net cash inflow as follows:

| | 2001 | 2000 |
|---|---|---|
| **Cash inflows** | | |
| Cash provided by operating activities | $ 138.6 | $ 133.0 |
| Proceeds on disposals | 40.5 | 6.3 |
| Other | (0.8) | 3.5 |
| **Cash outflows** | | |
| Additions to capital assets | (55.6) | (61.1) |
| Dividends to shareholders | (11.4) | (12.1) |
| Repurchase of shares | (29.5) | (25.4) |
| Net cash inflow | 81.8 | 44.2 |
| Translation of U.S. dollar denominated debt | (31.4) | (17.7) |
| Decrease in net debt | $ 50.4 | $ 26.5 |

Cash flow (defined as net earnings, plus depreciation and amortization) per Class B share, before unusual items, decreased to $3.39 from $3.47 in 2000 due to the reduced operating performance.

Capital spending, which totaled $55.6 million in 2001 versus $61.1 million in 2000, was incurred in all Divisions with a view to increasing capacity based on customers' requirements, implementing cost reduction programs, and maintaining the existing business base.

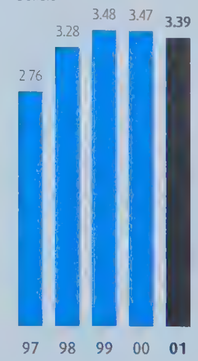
In 2002, it is anticipated that capital spending will be similar to the 2001 level. Expenditures planned for 2002 and beyond include continued investment to maintain and grow income in all Divisions. Depreciation and amortization of other assets decreased by $2.0 million in 2001 to $73.4 million from $75.4 million in 2000.

Goodwill amortization, net of tax, of $13.5 million remained virtually unchanged in 2001 from 2000. On a per Class B share basis, goodwill amortization was $0.38 in 2001 versus $0.33 in 2000. Generally accepted accounting principles for the recognition, measurement, presentation and disclosure of goodwill and other intangibles has changed with effect from January 1, 2002. Under these new rules, goodwill will not be amortized. Instead, the goodwill associated with each operating segment will be tested annually for impairment and any deficiency recognized as an impairment loss.

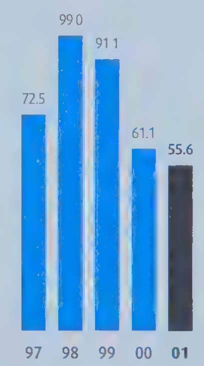
As at December 31, 2001, no loss needed to be recognized under the old rules for calculating permanent impairment of goodwill. Management believes, however, that an impairment charge may be required for the Container Division in 2002 when the revaluation of goodwill is completed for each operating segment under the new rules. The Company's Container Division had unamortized goodwill as at December 31, 2001 of $189.5 million. The operating results of this business segment in 2001 were significantly lower than expected due to operational issues and market demand. The quantification of an impairment charge, if any, will depend upon the outlook for a more normal earnings stream, which will be assessed as the results of the corrective operational plans and market demand become clearer in 2002.

**Net Debt to Total Capitalization**
Percentage


**Cash Flow per Class B Share**
(before unusual items)
Dollars




**Capital Spending**
Millions of dollars



The decrease in the outstanding Class B shares during the year was due to the repurchase of 2.1 million shares under the Normal Course Issuer Bid process for $23.2 million and 0.5 million shares under the provisions of the Ontario Securities Act for $6.3 million. The Normal Course Issuer Bid process is covered by the rules of the Toronto Stock Exchange. CCL's Normal Course Issuer Bid commenced on August 3, 2001 and terminates August 2, 2002. It provides for the repurchase of up to 20,000 Class A shares and 2,520,000 Class B shares. During the year 2000, under Normal Course Issuer Bids, the Company repurchased 2.7 million shares for a total consideration of $25.4 million. The Company anticipates renewing its filing for another twelve months commencing in August 2002.

Total dividends for the year at $11.4 million were reduced from last year as a result of the decreased number of shares outstanding in 2001. In 2001, the annual dividend was $0.27 per Class A share and $0.32 per Class B share. The Company has historically paid out dividends at a rate of 20%–30% of normalized earnings.

Interest expense decreased $4.1 million from $36.5 million in 2000 to $32.4 million in 2001 due to the use of cash flow from operations to repay all short-term debt and generate interest income. In addition, interest expense was reduced due to the benefit of the Interest-Rate Swap Agreement for part of the year and the amortization of a gain on the sale of the swap. Interest coverage (defined as operating income before restructuring costs and interest expense divided by interest expense) decreased from 2.5 times in 2000 to 2.2 times in 2001 as a result of the reduced income contribution during 2001.

Over 80% of CCL's sales are derived outside of Canada and the income from these foreign operations is subject to varying rates of taxation. The Company has benefited from lower tax rates in these jurisdictions compared to the combined Canadian federal and provincial rates. The Company's effective tax rate varies from year to year as a result of the level of income in the various countries, unrecognized tax losses not previously recognized, and the impact of non-deductible goodwill amortization.

**Book Value per Share**
Dollars


The Company's debt structure is in place for coming years as a result of issuing notes for three private debt placements in 1996, 1997 and 1998, totaling US$333.0 million (approximately Cdn$530.4 million) with no repayments required until September 2002 and an average interest rate of 6.9%. During the year, the Company eliminated its working capital line of credit arrangement with a Canadian bank in the amount of US$50.0 million. The Company had an Interest-Rate Swap Agreement from a Canadian financial institution, the effect of which was to convert US$60 million of notional fixed rate debt into floating rate debt. In November 2001, this Swap Agreement was sold for a gain of $7.6 million. This gain is being amortized to interest expense over the remaining term of the original agreement. The net effect of this Swap Agreement in 2001 was to decrease interest expense by $1.3 million compared to the fixed rate. In 2000, interest expense increased by $0.4 million as a result of having this swap in place.

The Company has no material "off balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 12 of the Consolidated Financial Statements. Additionally, the majority of the Company's post-employment obligations are defined contribution pension plans. There are no defined benefit plans funded with CCL stock.

At December 31, 2001, shareholders' equity was $563.7 million compared to $558.2 million at the end of 2000. The $5.5 million increase is due to:

| | | |
|---|---|---|
| Net earnings | $ | 24.9 |
| Dividends | | (11.4) |
| Repurchase of shares, net of issuance | | (29.3) |
| Increase in unrealized foreign exchange gain on translation of net foreign assets | | 21.3 |
| Increase in shareholders' equity | $ | 5.5 |

Book value per share increased to $16.52 as at December 31, 2001 compared to $15.22 a year ago.

## Environment, Health and Safety

The Company maintains active health and safety, and environmental programs for the purposes of preventing employee injuries and pollution incidents at its manufacturing sites. The program of corporate compliance audits and approvals of waste vendors continued in 2001. No material issues were identified during the audits, which are conducted in all operating geographies on a rotational basis. The plants in the United States, Canada and Europe only use approved waste vendors and these vendors are covered under CCL's extensive environmental insurance program.

The Company's environmental, health and safety programs are used to assess the ongoing adequacy of environmental provisions and, where needed, the plans for site restoration. As of December 31, 2001, the Company believes it has made adequate provision in its financial statements for potential site restoration costs and other remedial obligations. There was no need to increase environmental reserves in 2001.

During 2001, investigation programs continued at several sites. At the original aerosol site in Toronto, the Company obtained approval from the authorities to proceed with a remediation program with site-specific ground water clean-up objectives. This remediation will be completed by first quarter 2002 to allow for the sale of the property. During 2001, CCL continued its investigations of optimal remediation programs at two other sites in North America.

The soil remediation program at the German manufacturing site has been essentially completed in accordance with the requirements of the local authorities. Monitoring of the ground water conditions will continue through 2002. The costs to complete the required remediation at this site are well within the reserves level set at the time of purchase.

In 1999, CCL received notice of a potential liability for clean-up of a landfill site used by a former owner of the Custom Manufacturing Cumberland, RI facility. In 2000, the Company entered into an agreement where the former owner pays for the remedial investigation phase. Through 2001, CCL led these activities under Environmental Protection Agency ("EPA") direction and projects completion of the studies in 2004. Late in 2001, the former owner commenced cost recovery action against other potentially responsible parties for past EPA costs at this site. This will eventually lead to the formation of a "Potentially Responsible Party or PRP" group and a cost sharing agreement for funding the investigation work and the ultimate clean-up costs. The Company believes that it has adequate provisions for its portion of the liability.

## Risks

Significant consolidation within the retail and particularly the global brand marketer base continues. A parallel consolidation and rationalization movement is also evident in the packaging industry, which serves these marketers. As a result, the Company is continually evaluating the risks and opportunities this industry consolidation will have on its markets, its customers, and its operations.

The industry, both marketers and suppliers, is in the process of evaluating the most effective ways to incorporate e-commerce to improve operations and maximize supply chain integration. This transformation is both a competitive risk and an opportunity for CCL. It will be essential for the Company to continue to educate employees, invest in the appropriate technologies, and re-engineer processes to stay abreast of industry changes within the supply chain. The Company continues to work closely with customers and suppliers to ascertain and support these advancements.

The Company is subject to the usual commercial risks associated with the non-durable consumer packaging industry. Business volumes are affected by overall consumer confidence, purchasing trends, changes in disposable income, demographics, and personal debt levels. Other specific risks relate to price expectations by customers, technological changes including information technology, and economic risks such as currency exchange and interest rate changes. A low inflation environment combined with the purchasing strength of multinational retailers continue to limit the opportunity to increase selling prices for many of the Company's products.

The non-durable consumer products industry relies on innovation and promotional packaging to achieve product differentiation and maintain acceptable margins. All Divisions must continually dedicate resources and capital to anticipate and meet customers' needs, develop new products, and maintain and grow market share. Risks specific to each Division have been discussed under the **Report on Divisional Operations**.

The Company has significant operating bases in both the United States and Europe. In 2001 and 2000, 66% and 15% of total sales came from the United States and Europe respectively. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the year. The Canadian average rate for U.S. dollars was $1.55 in 2001 and $1.49 in 2000, and for U.K. sterling, was $2.23 in 2001 and $2.25 in 2000. The U.S. dollar net earnings translation impact in 2001 was not significant due to the abnormally low level of U.S. dollar earnings. The exchange rate sensitivity for Europe, given its relatively small level of earnings, is not material. The contribution from foreign business units in countries other than the United States and Europe in 2001 was 3.9% of CCL's total sales and 9.3% of CCL's total operating income, and the carrying value of investments in these countries was $64.3 million. Devaluation of currencies in Mexico and Costa Rica would not have a material negative effect on the consolidated financial results of the Company; however, operations in these countries are perceived to have greater political and economic risks.

Over the past two decades, CCL has made large investments in subsidiaries in the United States and the United Kingdom. These currencies have, over this timeframe, appreciated against the Canadian dollar, resulting in significant unrealized foreign exchange gains. Further, the Company has made modest investments in Mexico and Costa Rica and the Canadian dollar has appreciated against their currencies resulting in unrealized foreign exchange losses. The subsidiaries in all four of these countries are currently generating free cash flow from their operations and it is the Company's intent to continue to repatriate surplus cash, as available, through capital reductions and dividend distributions.

## Strategies

For a number of years, CCL's strategic focus has been to maximize the contribution from its current manufacturing base while looking for opportunities to expand the business geographically and increase market share. Growth has included several acquisitions and reinvestment in existing businesses that complemented the existing manufacturing capabilities for the same customer base.

The Company has stated that its long-term goal is to be the low cost producer, as well as the industry leader in market share in each of its business units. With the outlook in demand for products and markets that it serves growing at a modest rate, CCL recognizes that it will be difficult to grow earnings faster than its key customer base without investing in innovation and product improvement or capturing additional market share. The Company believes that over the medium-term, a targeted annual growth rate in earnings of 10% may be realistic. It has been difficult, however, over the short term, to achieve this target, given the soft demand patterns, operational issues and the significant restructuring efforts undertaken by the Company. Management continues to seek out opportunities to dispose of under-performing and non-core assets while, at the same time, exploring attractively priced strategic acquisitions in order to strengthen and grow the earnings and cash flow stream.

The lower than expected sales experienced in 2001, caused by the soft market for the Company's products, continues to affect the outlook for at least early 2002. Management believes that its current efforts on restructuring operations to focus the business units and to reduce manufacturing and administrative costs will positively position the Company for improved earnings and shareholder value as the economy picks up, as anticipated, during the back half of 2002. The Company will also continue to focus on moderate capital spending and reduction of working capital in order to maximize cash. Cash flow, before acquisitions and divestitures, should improve in 2002 over 2001 levels in line with the anticipated improvement in earnings. This cash flow stream will be utilized for capital spending, debt repayment, acquisitions which are accretive to earnings, dividends, and judicious share repurchases.

The key financial target, which has not changed, is to improve CCL's return on equity to at least 12% by 2005. Management believes that this level of return on equity is reasonable for the packaging industry and the Company, and would reflect a significant improvement over current levels.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in this Annual Report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based upon estimates and judgments. When alternative accounting methods exist, management has chosen those it deems to be the most appropriate to ensure fair and consistent presentation. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

CCL maintains financial and operating systems which include appropriate and effective internal controls. Such systems are designed to provide reasonable assurance that the financial information is reliable and relevant, and that CCL's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and reviews the financial statements and Management's Discussion and Analysis; assesses the adequacy of the internal controls of the Company; considers the report of the external auditors; examines the fees and expenses for audit services; and recommends to the Board of Directors the independent auditors for appointment by the shareholders. The Audit Committee reports its findings to the Board of Directors for consideration when approving the annual financial statements for issuance to the shareholders.

These consolidated financial statements have been audited by KPMG LLP ("KPMG"), the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG have full and free access to, and meet periodically with, the Audit Committee.

D.G. Lang
*President and Chief Executive Officer*
*February 14, 2002*

S.W. Lancaster
*Senior Vice President and Chief Financial Officer*

## AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

We have audited the consolidated balance sheets of CCL Industries Inc. as at December 31, 2001 and 2000, and the consolidated statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
*Chartered Accountants*
*Toronto, Canada*
*February 14, 2002*

# CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31, 2001 AND 2000

| *(in thousands of dollars except per share data)* | **2001** | 2000 |
|---|---|---|
| Sales | **$ 1,600,497** | $ 1,589,087 |
| Income from operations before undernoted items | **$ 159,879** | $ 183,295 |
| Depreciation, and amortization of other assets | **73,439** | 75,351 |
| Interest (note 8) | **32,415** | 36,560 |
| Income from operations before unusual items, income taxes and goodwill amortization | **54,025** | 71,384 |
| Unusual items (net) (note 4) | **7,684** | 18,776 |
| Earnings before income taxes and goodwill amortization | **46,341** | 52,608 |
| Income taxes (note 10) | **7,993** | 13,156 |
| Earnings before goodwill amortization | **38,348** | 39,452 |
| Goodwill amortization (net of tax of $2,297 in 2001 and $2,406 in 2000) | **13,457** | 12,798 |
| Net earnings | **$ 24,891** | $ 26,654 |
| Earnings and diluted earnings per Class B share (note 11) | | |
| Earnings before goodwill amortization | **$ 1.08** | $ 1.04 |
| Net earnings | **$ 0.70** | $ 0.70 |

# CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2001 AND 2000

| *(in thousands of dollars except per share data)* | **2001** | 2000 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 112,891** | $ 31,937 |
| Accounts receivable – trade | **185,865** | 206,599 |
| Other receivables and prepaid expenses | **26,630** | 22,536 |
| Inventories (note 5) | **162,719** | 173,346 |
| | **488,105** | 434,418 |
| Capital assets (note 6) | **504,670** | 529,927 |
| Other assets (note 7) | **61,226** | 29,232 |
| Goodwill | **400,990** | 399,243 |
| | **$ 1,454,991** | $ 1,392,820 |
| **Liabilities** | | |
| Current liabilities | | |
| Bank advances (note 8) | **$ 13,110** | $ 10,073 |
| Accounts payable and accrued liabilities | **232,718** | 226,214 |
| Income and other taxes payable | **2,058** | 3,632 |
| Current portion of long-term debt (note 8) | **16,633** | 3,741 |
| | **264,519** | 243,660 |
| Long-term debt (note 8) | **518,903** | 504,262 |
| Other long-term items (note 9) | **35,245** | 23,178 |
| Future income taxes (note 10) | **72,620** | 63,519 |
| | **891,287** | 834,619 |
| **Shareholders' equity** | | |
| Share capital (note 11) | **194,554** | 208,785 |
| Retained earnings | **328,221** | 329,728 |
| Foreign currency translation adjustment | **40,929** | 19,688 |
| | **563,704** | 558,201 |
| | **$ 1,454,991** | $ 1,392,820 |

Commitments and contingencies (note 12)

Approved by the Board

D.G. Lang, *Director*

J.K. Grant, *Director*

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2001 AND 2000

| *(in thousands of dollars except per share data)* | **2001** | 2000 |
|---|---|---|
| Balance at beginning of year, as previously reported | **$ 329,728** | $ 328,111 |
| Cumulative effect of change in accounting policies (note 2) | **–** | (2,330) |
| Balance at beginning of year, restated | **329,728** | 325,781 |
| Net earnings | **24,891** | 26,654 |
| Excess of purchase price over paid-up capital on repurchase of shares | **(15,048)** | (10,630) |
| | **339,571** | 341,805 |
| Dividends | | |
| Class A shares | **665** | 666 |
| Class B shares | **10,685** | 11,411 |
| | **11,350** | 12,077 |
| Balance at end of year | **$ 328,221** | $ 329,728 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001 AND 2000

| *(in thousands of dollars except per share data)* | **2001** | 2000 |
|---|---|---|
| Cash provided by (used for) | | |
| **Operating activities** | | |
| Net earnings | **$ 24,891** | $ 26,654 |
| Items not requiring cash: | | |
| Depreciation and amortization | **89,193** | 90,555 |
| Future income taxes | **7,047** | 5,240 |
| Unusual items | **780** | 18,776 |
| | **121,911** | 141,225 |
| Net change in non-cash working capital | **16,667** | (8,263) |
| Cash provided by operating activities | **138,578** | 132,962 |
| **Financing activities** | | |
| Proceeds of long-term debt | **1,135** | 5,347 |
| Retirement of long-term debt | **(2,461)** | (3,940) |
| Increase (decrease) in bank advances | **3,070** | (45,116) |
| Issue of shares | **234** | 1,021 |
| Repurchase of shares | **(29,513)** | (25,358) |
| Dividends | **(11,350)** | (12,077) |
| Cash used for financing activities | **(38,885)** | (80,123) |
| **Investing activities** | | |
| Additions to capital assets | **(55,595)** | (61,086) |
| Proceeds on disposals | **40,459** | 6,323 |
| Other | **(5,174)** | 2,373 |
| Cash used for investing activities | **(20,310)** | (52,390) |
| Effect of exchange rate on cash | **1,571** | 1,053 |
| Increase in cash | **80,954** | 1,502 |
| **Cash and cash equivalents at beginning of year** | **31,937** | 30,435 |
| **Cash and cash equivalents at end of year** | **$ 112,891** | $ 31,937 |

## 1. Summary of Significant Accounting Policies

**(a) Basis of accounting**

The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition.

**(b) Foreign currency translation**

The Company records foreign currency denominated transactions at the Canadian dollar equivalent at the date of the transaction and translates foreign currency denominated monetary assets and liabilities at year-end exchange rates. Exchange gains and losses are included in earnings.

The Company's foreign subsidiaries are defined as self-sustaining. Revenue and expense items, including depreciation and amortization, are translated at the average rate for the year. All assets and liabilities are translated at year-end exchange rates and any resulting exchange gains or losses are included in shareholders' equity and described as foreign currency translation adjustment. Gains and losses on the reduction of net investments in foreign subsidiaries are included in net earnings for the year.

Movement in the foreign currency translation adjustment during the year results from changes in the value of the Canadian dollar primarily in comparison to the U.S. dollar, the U.K. pound, the euro, and the Mexican peso, and from changes in foreign denominated net assets.

**(c) Inventories**

Raw materials and supplies are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis.

**(d) Capital assets**

Capital assets are recorded at cost, which includes interest and certain start-up costs during the construction of major projects. Depreciation is provided over the assets' estimated useful lives, primarily on the straight-line basis, using rates varying from 2% to 10% on buildings, and from 7% to 33% on machinery and equipment.

**(e) Goodwill**

Goodwill represents the excess of the purchase price over the fair values of net assets acquired, and is being amortized on a straight-line basis over periods up to 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the carrying value. Goodwill is written down to net recoverable amounts when declines in value are considered to be other than temporary based upon expected cash flows from the individual business units.

**(f) Revenue recognition**

Revenue is recorded and related costs transferred to cost of sales at the time the product is shipped and ownership transfers to the customers.

**(g) Employee future benefits**

The Company accrues its obligations under employee benefit plans and the related costs net of plan assets. Pension costs are determined periodically by independent actuaries. Benefits other than pensions are funded by the Company as they become due, and include life insurance programs and supplemental pension allowances. Benefits expense is charged to operations and includes:

(i) the cost of benefits provided in exchange for employees' services rendered during the year,

(ii) the amortization of past service costs and amendments over the expected average remaining service life of the employee group covered by the plans,

(iii) the interest cost of benefit obligations,

(iv) the expected return on fund assets,

(v) the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or market-related value of plan assets over the expected average remaining service life of the employee group covered by the plans, and

(vi) the gain or loss on a settlement or curtailment.

**(h) Stock-based compensation plans**

The Company has a stock-based compensation plan which is described in note 11. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

**(i) Income taxes**

Under the liability method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

**(j) Use of estimates**

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. In particular, the amounts recorded for environmental matters, outstanding self-insured claims, depreciation and amortization of capital assets and goodwill, and the valuation of goodwill are based on estimates. Actual results could differ from these estimates.

**(k) Comparatives**

Certain of the 2000 figures have been reclassified to conform with the presentation adopted for 2001.

## 2. Cumulative Effect of Change in Accounting Policies

Effective January 1, 2000, the Company adopted the Canadian Institute of Chartered Accountants' Handbook Section 3465, Income Taxes. The standard requires a change from the deferral method of accounting for income taxes under Handbook Section 3470, Corporate Income Taxes, to the asset and liability method of accounting for income taxes.

The Company adopted Section 3465 retroactively without restatement of prior periods. As a result, retained earnings as at January 1, 2000 increased by $1.5 million.

Effective January 1, 2000, the Company also adopted the Canadian Institute of Chartered Accountants' recommendations related to the accounting for employee future benefits as required by Handbook Section 3461. Specifically, the standard outlines guidance for the accounting for pension and post-employment benefits other than pensions.

In accordance with the transitional provisions of the new standard, the Company applied the recommendations retroactively but did not restate comparative periods. The cumulative effect of the adoption of the new standard of $6.0 million ($3.8 million after tax) has been reflected as a charge to 2000 opening retained earnings.

## 3. Disposals

In March 2001, the Company sold its one-third interest in a joint venture in Shanghai, China. The loss on disposal of this investment of $6.3 million was provided for as part of the unusual items recorded in the 2000 annual financial statements.

In April 2001, the Company sold its U.K.-based pharmaceutical business to Miza Pharmaceutical Inc. ("Miza"). Total proceeds of $27.8 million were in the form of common shares of Miza of $11.0 million, representing a minority equity interest, and redeemable subordinated convertible notes of $16.8 million. The book value of the disposed Pharmaceutical assets included goodwill of $3.3 million. There was no gain or loss on the disposition.

In December 2001 and early 2002, CCL sold, in two separate transactions, a portion of its K-G Packaging business located in Concord, ON which formulates and fills industrial aerosol liquid products. Proceeds received in 2001 and early 2002 in connection with these transactions were $7.8 million and $9.4 million respectively. The Company anticipates selling the balance of the K-G Packaging business in 2002. No gain or loss is expected as a result of these transactions.

YEARS ENDED DECEMBER 31, 2001 AND 2000 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

## 4. Unusual Items

In fourth quarter 2000, a strategic decision was made to evaluate a number of under-performing or non-core businesses. Costs arising from the implementation of the detailed plans to reorganize these businesses in 2001 included restructuring costs of $9.6 million. The major component was severance costs paid to reorganize the Container and Label Divisions. In 2000, the costs included a loss on the disposal of the labeling equipment business of $2.4 million, a write-down of certain operating assets of $14.6 million to reflect management's best estimate of net recoverable value and other expenses of $1.8 million associated with restructuring the operations.

In 2001, the Company repatriated capital from certain foreign subsidiaries, which resulted in a net foreign exchange gain of $1.9 million. Gains and losses on repatriation of capital from subsidiaries arise from the difference between the exchange rate in effect on the date the capital was returned to Canada, compared to the historical rate in effect when the capital was invested. These transactions are not subject to income taxes.

## 5. Inventories

| | 2001 | 2000 |
|---|---|---|
| Raw materials and supplies | **$ 93,474** | $ 95,802 |
| Work in process and finished goods | **69,245** | 77,544 |
| | **$ 162,719** | $ 173,346 |

## 6. Capital Assets

| 2001 | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Land | **$ 16,374** | **$ –** | **$ 16,374** |
| Buildings | **123,419** | **45,249** | **78,170** |
| Machinery and equipment | **900,829** | **490,703** | **410,126** |
| Total | **$ 1,040,622** | **$ 535,952** | **$ 504,670** |

| 2000 | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Land | $ 21,721 | $ – | $ 21,721 |
| Buildings | 132,210 | 43,604 | 88,606 |
| Machinery and equipment | 859,878 | 440,278 | 419,600 |
| Total | $ 1,013,809 | $ 483,882 | $ 529,927 |

## 7. Other Assets

| | 2001 | 2000 |
|---|---|---|
| Investments and notes receivable | **$ 28,315** | $ – |
| Self-insurance assets | **21,764** | 18,620 |
| Other | **11,147** | 10,612 |
| | **$ 61,226** | $ 29,232 |

## 8. Total Debt

| | 2001 | 2000 |
|---|---|---|
| Bank advances | $ 13,110 | $ 10,073 |
| Current portion of long-term debt | 16,633 | 3,741 |
| Long-term debt due after one year | 518,903 | 504,262 |
| Total debt outstanding | $ 548,646 | $ 518,076 |

**(a)** The total borrowings at December 31, 2001 are denominated in the following currencies:

| | Local currency | Canadian equivalent |
|---|---|---|
| Canadian dollars | $ 6 | $ 6 |
| U.S. dollars | $ 338,746 | 539,577 |
| Euros | € 3,444 | 4,885 |
| U.K. pounds sterling | £ 1,804 | 4,178 |
| | | $ 548,646 |

The Company's foreign denominated debt acts as a partial hedge against its net investment in foreign operations.

**(b)** The short-term operating lines of credit provided to the Company, and amounts used included in bank advances, at December 31 are:

| | 2001 | 2000 |
|---|---|---|
| Credit lines available | $ 28,750 | $ 99,792 |
| Credit lines used | $ 13,110 | $ 10,073 |

At December 31, 2000, the major component of the short-term operating lines was a US$50.0 million revolving 364-day working capital facility of which $9.6 million (US$6.4 million) was outstanding. This facility was no longer required and was terminated in 2001.

Operating facilities amounting to $4.9 million are secured by land and buildings with the balance being unsecured. All are at interest rates varying with LIBOR (London Interbank Offered Rate) or the prime rate.

**(c)** Total long-term debt is comprised of:

| | 2001 | 2000 |
|---|---|---|
| Unsecured senior notes issued March 1996 6.66% repayable on March 15, 2006 (US$120.0 million) | $ 191,144 | $ 179,937 |
| Unsecured senior notes issued September 1997 6.97%, repayable in equal installments starting September 2002 and finishing September 2012 (US$103.0 million) | 164,065 | 154,446 |
| Unsecured senior notes issued July 1998 6.9% weighted-average, repayable in three tranches with repayments after 12, 15 and 20 years (US$110.0 million) | 175,215 | 164,942 |
| Other loans | 5,112 | 8,678 |
| | $ 535,536 | $ 508,003 |

Other loans include term bank loans, Industrial Revenue Bonds and capital leases at various rates and repayment terms.

**(d)** The overall weighted average interest rate on total long-term debt at December 31, 2001 was 6.9% (2000 – 6.9%).

YEARS ENDED DECEMBER 31, 2001 AND 2000 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

**(e)** Interest expense incurred is as follows:

| | 2001 | 2000 |
|---|---|---|
| Current | **$ 1,710** | $ 4,605 |
| Long-term | **34,470** | 34,795 |
| | **36,180** | 39,400 |
| Interest income | **(3,765)** | (2,840) |
| | **$ 32,415** | $ 36,560 |

Gross interest paid during the year was $35.8 million (2000 – $38.7 million).

**(f)** Long-term debt repayments are as follows:

| | |
|---|---|
| 2002 | $ 16,633 |
| 2003 | 15,878 |
| 2004 | 15,513 |
| 2005 | 15,240 |
| 2006 | 206,366 |
| 2007 and beyond | 265,906 |
| | $ 535,536 |

## 9. Other Long-term Items

| | 2001 | 2000 |
|---|---|---|
| Environmental reserves, less current portion of $2,157 (2000 – $1,212) | **$ 11,014** | $ 14,098 |
| Outstanding self-insured claims and reserves | **10,100** | 9,080 |
| Deferred gains | **14,131** | – |
| | **$ 35,245** | $ 23,178 |

Environmental reserves represent management's best estimate for site restoration costs. Outstanding self-insured claims and reserves are actuarially determined. The actual timing of payments against these liabilities is unknown.

During 2001, the Company entered into a sale and leaseback of the land and building of the Los Angeles, CA plastic plant and sold its interest in an Interest-Rate Swap Agreement. The proceeds were $25.1 million on the sale and leaseback and $7.6 million on the interest-rate swap.

The deferred gain on the sale and leaseback of $9.9 million will be amortized over the term of the lease of 10 years. The deferred gain on the Interest-Rate Swap Agreement of $7.6 million will be amortized until March 2006 – the remaining term of the original Swap Agreement.

The short-term portion of these deferred gains is included in accounts payable and accrued liabilities.

## 10. Income Taxes

**(a) Effective tax rate**

| | 2001 | 2000 |
|---|---|---|
| Combined Canadian federal and provincial income tax rate | **34.0%** | 34.7% |
| Earnings before income taxes and goodwill amortization | **$ 46,341** | $ 52,608 |
| Expected income taxes | **15,756** | 18,255 |
| Increase (decrease) resulting from: | | |
| Realized benefit of foreign tax rate | **(9,827)** | (7,731) |
| Unrecognized (recognized) income tax benefit of losses | **(442)** | 1,102 |
| Restructuring costs not recognized for tax | **-** | 2,998 |
| Other | **2,506** | (1,468) |
| Income taxes | **7,993** | 13,156 |
| Income tax recovery on goodwill amortization | **2,297** | 2,406 |
| Net income taxes | **$ 5,696** | $ 10,750 |
| Income taxes paid | **$ 7,170** | $ 9,167 |

**(b)** The tax effects of the significant components of temporary differences giving rise to the Company's net income tax assets and liabilities are as follows:

| | 2001 | 2000 |
|---|---|---|
| Future income tax assets: | | |
| Non-deductible reserves | **$ 22,052** | $ 13,250 |
| Alternative minimum tax credit carryforward | **19,613** | 15,262 |
| Amount related to tax losses carried forward | **20,982** | 28,372 |
| Future income tax assets before valuation allowance | **62,647** | 56,884 |
| Valuation allowance | **(24,446)** | (24,988) |
| Future income tax assets net of valuation allowance | **38,201** | 31,896 |
| Future income tax liabilities: | | |
| Capital assets, goodwill and other assets | **90,924** | 79,727 |
| Other | **19,897** | 15,688 |
| Future income tax liabilities | **110,821** | 95,415 |
| Net future income tax liabilities | **$ 72,620** | $ 63,519 |

YEARS ENDED DECEMBER 31, 2001 AND 2000 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

## 11. Share Capital

The Company's authorized capital consists of an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares.

**(a) Issued**

| | Class A | | Class B | | Exchangeable Equivalent | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | shares | Amount |
| Balance at January 1, 2000 | 2,469 | $ 4,698 | 35,814 | $ 201,418 | 1,000 | $ 16,375 |
| Issued for cash under employee share plans | – | – | 112 | 1,021 | – | – |
| Conversions from Class A to Class B shares | (4) | (7) | 4 | 7 | – | – |
| Repurchase of shares | – | – | (2,726) | (14,728) | – | – |
| Balance at December 31, 2000 | 2,465 | 4,691 | 33,204 | 187,718 | 1,000 | 16,375 |
| Issued for cash under employee share plans | – | – | 28 | 235 | – | – |
| Conversions from Class A to Class B shares | (2) | (5) | 2 | 5 | – | – |
| Conversion from exchangeable shares to Class B shares | – | – | 1,000 | 16,375 | (1,000) | (16,375) |
| Repurchase of shares | – | – | (2,565) | (14,465) | – | – |
| **Balance at December 31, 2001** | **2,463** | **$ 4,686** | **31,669** | **$ 189,868** | **–** | **$ –** |

Total share capital at December 31, 2001 was $194.6 million (2000 – $208.8 million).

**(b) Share attributes**

**Class A**

Class A shares carry full voting rights and are convertible at any time into Class B shares. Dividends are currently set at 5 cents per share per annum less than Class B shares.

**Class B**

Class B shares rank equally in all material respects with the Class A shares, except as follows:

(i) They are entitled to receive material and attend, but not to vote at, regular shareholder meetings.

(ii) They are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.

(iii) They are entitled to receive, or have set aside for payment, dividends as declared by the Board of Directors from time to time.

**Exchangeable**

In March 2001, the holder of Class A participating exchangeable common shares of CCL Plastic Packaging Inc., formerly SEDA Specialty Packaging Corp., a wholly owned subsidiary, which were exchangeable at the holder's option into a total of 1,000,000 Class B non-voting shares of CCL Industries Inc. exercised his option to exchange. The holder was entitled to receive dividends equivalent to the dividend rate declared on Class B shares.

**(c) Earnings per share**

| | **2001** | | 2000 | |
|---|---|---|---|---|
| | **Class A** | **Class B** | Class A | Class B |
| Earnings and diluted earnings | **$ 0.65** | **$ 0.70** | $ 0.65 | $ 0.70 |

The weighted average number of equivalent shares issued and outstanding is 35,973,801 (2000 – 38,267,007).

In 2001, the Company adopted retroactively the new Canadian Institute of Chartered Accountant Handbook Section 3500 "Earnings per share," which requires the use of the treasury stock method for calculating diluted earnings per share. The application of the new standard had no impact on the diluted earnings per share in the prior period.

Fully diluted earnings per Class B share reflects the dilutive effect, if any, of the exercise of share options outstanding at December 31, assuming they had been exercised at the beginning of the year. The exercise of share options in 2001 and 2000 would not have been dilutive.

**(d) Stock-based compensation plans**

At December 31, 2001 the Company has two stock-based compensation plans, which are described below:

(i) Employee Stock Option Plan

Under the Employee Stock Option Plan, the Company may grant options to employees, officers and directors of the Corporation for up to 3,000,000 Class B non-voting shares. The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options vest 20% on the grant date and 20% each year following the grant date.

A summary of the status of the Company's Employee Stock Option Plan as of December 31, 2001 and 2000, and changes during the years ending on those dates is presented below:

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | **Shares** | **Weighted-average exercise price** | Shares | Weighted-average exercise price |
| Outstanding at beginning of year | **2,567** | **$ 12.92** | 2,269 | $ 14.33 |
| Granted | **654** | **12.23** | 798 | 8.35 |
| Exercised | **(28)** | **8.35** | (112) | 9.13 |
| Forfeited | **(504)** | **14.37** | (110) | 16.28 |
| Expired | **(161)** | **14.35** | (278) | 11.50 |
| Outstanding at end of year | **2,528** | **$ 12.41** | 2,567 | 12.92 |
| Options exercisable at end of year | **1,312** | **$ 13.42** | 1,270 | $ 14.43 |

The following table summarizes information about the employee stock options outstanding at December 31, 2001:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercisable prices | Options outstanding | Weighted-average remaining contractual life | Weighted-average exercise price | Options exercisable | Weighted-average exercise price |
| $ 8.35 – 12.00 | 758 | 7.2 years | $ 8.45 | 290 | $ 8.40 |
| $ 12.01 – 14.00 | 983 | 9.1 years | $ 12.53 | 361 | $ 12.52 |
| $ 14.01 – 16.00 | 394 | 3.2 years | $ 15.43 | 338 | $ 15.54 |
| $ 16.01 – 17.50 | 393 | 5.1 years | $ 16.74 | 323 | $ 16.73 |
| $ 8.35 – 17.50 | 2,528 | 7.0 years | $ 12.41 | 1,312 | $ 13.42 |

(ii) Executive Share Purchase Plan

Under the Executive Share Purchase Plan, the Company may provide assistance to senior officers and executives of the Company to invest in Class B shares of the Company in the open market by providing interest-free loans. The loans are secured by the Class B shares and are repayable when the shares are sold or upon completion of employment.

In 2001, the Company provided financial assistance to acquire 50,000 Class B shares under the plan at an average price of $9.66. As at December 31, 2001, the amount receivable from senior officers and executives is $2.9 million (2000 – $3.1 million), which is included in other assets.

## 12. Commitments and Contingencies

The Company has commitments under various long-term operating lease agreements. Future minimum payments under such lease obligations are due as follows:

| | |
|---|---|
| 2002 | $ 10,567 |
| 2003 | 8,535 |
| 2004 | 7,099 |
| 2005 | 6,178 |
| 2006 and beyond | 20,923 |
| | $ 53,302 |

The Company and its consolidated subsidiaries are defendants in actions brought against them from time to time in connection with their operations. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe they will have a material impact on its financial position or results of operations.

YEARS ENDED DECEMBER 31, 2001 AND 2000 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

## 13. Employee Future Benefits

The Company maintains several defined benefit pension plans, defined contribution pension plans, three supplemental retirement plans, and other post-employment benefit plans.

The expense for the defined contribution plans was $6.5 million in 2001 (2000 – $6.5 million).

Information on the defined benefit plans, including the defined benefit pension plans, three supplemental retirement plans and other post-employment benefit plans is as follows:

| | **2001** | 2000 |
|---|---|---|
| Accrued benefit obligation: | | |
| Balance at beginning of year | **$ 43,065** | $ 40,587 |
| Current service cost | **1,975** | 2,405 |
| Interest cost | **2,175** | 2,464 |
| Expenses and insurance premiums | **(399)** | (279) |
| Employee contributions | **876** | 1,065 |
| Benefits paid | **(1,521)** | (2,189) |
| Effect of curtailment | **–** | (938) |
| Actuarial loss | **(3,298)** | 678 |
| Reinstatements and transfers | **826** | – |
| Transfer to defined contribution plan | **(7,326)** | – |
| Foreign exchange rate changes | **868** | (728) |
| Balance at end of year | **$ 37,241** | $ 43,065 |
| Plan assets: | | |
| Fair value at beginning of year | **$ 33,567** | $ 33,047 |
| Actual return on plan assets | **(2,191)** | (1,082) |
| Employer contributions | **1,583** | 1,921 |
| Employee contributions | **876** | 1,065 |
| Benefits paid | **(637)** | (546) |
| Reinstatements and transfers | **1,048** | – |
| Transfer to defined contribution plan | **(8,335)** | – |
| Foreign exchange rate changes | **808** | (838) |
| Fair value at end of year | **$ 26,719** | $ 33,567 |
| Funded status – plan deficit | **$ (10,522)** | $ (9,498) |
| Unamortized net actuarial loss | **1,258** | 714 |
| Accrued benefit liability | **(9,264)** | (8,784) |
| Valuations allowances | **(201)** | (131) |
| Accrued benefit liability, net of valuation allowances | **$ (9,465)** | $ (8,915) |

Included in the above accrued benefit obligation for 2001 is $9.3 million (2000 – $10.1 million) for the unfunded supplemental retirement plans and other post-employment benefit plans.

The significant actuarial assumptions adopted in measuring the company's accrued benefit obligations are as follows:

| | 2001 | 2000 |
|---|---|---|
| Discount rate | 6.30% | 6.44% |
| Expected long-term rate of return on plan assets | 7.06% | 7.29% |
| Rate of compensation increase | 3.80% | 4.06% |

The Company's net benefit plan expense is as follows:

| | 2001 | 2000 |
|---|---|---|
| Current service cost, net of employee contributions | $ 1,975 | $ 2,405 |
| Interest cost | 2,175 | 2,464 |
| Expected return on plan assets | (1,878) | (2,431) |
| Amortization of net actuarial gain | – | (51) |
| Valuation allowance provided against accrued benefit asset | – | 15 |
| Curtailment gain | – | (938) |
| Net benefit plan expense | $ 2,272 | $ 1,464 |

In 2000, the Company was in the process of changing one of the defined benefit plans into a defined contribution plan. This gave rise to a curtailment gain of $0.9 million in 2000. The balance of the settlement gain/loss will be recognized when the final distributions are settled in 2002.

YEARS ENDED DECEMBER 31, 2001 AND 2000 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

## 14. Segmented Information

The Company's reportable segments are generally managed independently of each other, primarily because of product diversity. Each segment retains its own management team and is responsible for compiling its own financial information.

The Company has three reportable segments: Custom Manufacturing, Container and Label. The Custom Manufacturing segment produces aerosol, liquid and solid stick products. The Container segment manufactures aluminum containers, and aluminum, tin, laminate and plastic tubes, jars and closures. The Label segment produces pressure-sensitive self-adhesive labels, and designs and prints a wide range of high-quality paper and film, expanded content, promotional, coupon and in-mold labels. It also manufactured and marketed pressure-sensitive label application equipment prior to the disposal of the labeling equipment business in 2000.

Transactions with one significant customer in 2001 accounted for approximately $167 million of the Company's total revenue. In 2000, no customer accounted for more than 10% of sales.

The accounting policies of the segments are the same as those described in the summary of accounting policies. The Company evaluates performance based on income from operations before interest, unusual items and income taxes, and based on the return on operating assets.

**(a) Industry segments**

| | Sales | | Segment income | |
|---|---|---|---|---|
| | **2001** | 2000 | **2001** | 2000 |
| Custom Manufacturing | **$ 886,320** | $ 832,284 | **$ 45,964** | $ 41,977 |
| Container | **328,179** | 333,098 | **10,766** | 32,588 |
| Label | **385,998** | 423,705 | **19,383** | 25,541 |
| | **$ 1,600,497** | $ 1,589,087 | **76,113** | 100,106 |
| Corporate expense | | | **5,427** | 7,366 |
| Interest expense | | | **32,415** | 36,560 |
| Unusual items (net) | | | **7,684** | 18,776 |
| Income taxes | | | **5,696** | 10,750 |
| Net earnings | | | **$ 24,891** | $ 26,654 |

| | Identifiable assets | | Depreciation & amortization | | Capital expenditures | |
|---|---|---|---|---|---|---|
| | **2001** | 2000 | **2001** | 2000 | **2001** | 2000 |
| Custom Manufacturing | **$ 383,865** | $ 407,897 | **$ 23,162** | $ 25,448 | **$ 16,774** | $ 23,473 |
| Container | **562,848** | 567,511 | **35,897** | 34,228 | **20,997** | 26,395 |
| Label | **361,205** | 388,898 | **29,376** | 30,313 | **16,859** | 10,305 |
| Corporate | **147,073** | 28,514 | **758** | 566 | **965** | 913 |
| | **$ 1,454,991** | $ 1,392,820 | **$ 89,193** | $ 90,555 | **$ 55,595** | $ 61,086 |

**(b) Geographic segments**

| | Sales | | Capital assets & goodwill | |
|---|---|---|---|---|
| | **2001** | 2000 | **2001** | 2000 |
| Canada | **$ 300,971** | $ 296,069 | **$ 86,170** | $ 87,755 |
| United States | **1,057,558** | 1,052,543 | **762,150** | 765,622 |
| Europe | **241,968** | 240,475 | **57,340** | 75,793 |
| | **$ 1,600,497** | $ 1,589,087 | **$ 905,660** | $ 929,170 |

## 15. Financial Instruments

**(a) Risk management activities**

The Company has entered into forward foreign exchange contracts to hedge its foreign exposure on anticipated U.S. sales. The contracts oblige the Company to sell U.S. dollars in the future at predetermined rates. As at December 31, 2001, the Company had purchased contracts to sell US$30.0 million in the next 12 months at the average exchange rate of $1.56.

The Company also enters into futures contracts to hedge the cost of aluminum used in its container manufacturing process against specific customer requirements. As at December 31, 2001, futures contracts for US$55.3 million of aluminum purchase commitments, extending to 2004, were outstanding.

**(b) Credit risk**

Certain of the Company's financial assets, including cash and cash equivalents, and short-term investments, are exposed to credit risk. The Company may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment grade credit rating. In addition, the Company limits the amount that is invested in issues of any one government or corporation.

**(c) Fair values**

The carrying value of cash and cash equivalents, accounts receivable, other assets, bank advances, and accounts payable and accrued liabilities approximates fair value due to the short-term maturities of these instruments. The fair value of long-term debt is $520.1 million (2000 – $495.0 million).

Fair value of long-term debt is determined as the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments.

Forward foreign exchange contracts, which have become unfavourable based on the forward exchange rate as of December 31, 2001, constitute unrecognized financial liabilities which have a fair value of $0.9 million.

Future aluminum contracts which have become unfavourable constitute unrecognized financial liabilities and have a fair value of $0.3 million.

## 16. Subsequent Events

In February 2002, the pressure-sensitive label printing business of Jarvis Porter Group PLC, located in the United Kingdom, France and the Netherlands, was acquired for $16 million.

# ELEVEN YEAR FINANCIAL SUMMARY

IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AND RATIO DATA

| | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| **Sales and net earnings** | | | | |
| Sales | **$ 1,600,497** | $ 1,589,087 | $ 1,568,875 | $ 1,469,195 |
| Depreciation and amortization | **89,193** | 90,555 | 84,210 | 75,710 |
| Interest expense | **32,415** | 36,560 | 35,642 | 35,195 |
| Earnings from continuing operations | *** 24,891** | ** 26,654 | 53,630 | 44,394 |
| Net earnings | **24,891** | 26,654 | 53,630 | 44,394 |
| Net earnings per Class B share from continuing operations | *** .70** | ** .70 | 1.36 | 1.22 |
| Net earnings per Class B share | **.70** | .70 | 1.36 | 1.22 |
| **Financial position** | | | | |
| Current assets | **$ 488,105** | $ 434,418 | $ 447,403 | $ 429,990 |
| Current liabilities | **264,519** | 243,660 | 298,663 | 261,251 |
| Working capital | **223,586** | 190,758 | 148,740 | 168,739 |
| Total assets | **1,454,991** | 1,392,820 | 1,422,455 | 1,412,908 |
| Net debt | **435,755** | 486,139 | 512,601 | 506,057 |
| Shareholders' equity | **563,704** | 558,201 | 564,298 | 571,417 |
| Net debt to equity ratio | **.77** | .87 | .91 | .89 |
| Net debt to total capitalization | **43.6%** | 46.5% | 47.6% | 47.0% |
| **Number of shares** *(in thousands)* | | | | |
| Class A – December 31 | **2,463** | 2,465 | 2,469 | 2,471 |
| Class B – December 31 (note 1) | **31,669** | 34,204 | 36,814 | 37,457 |
| Weighted average for the year | **35,974** | 38,267 | 39,668 | 36,596 |
| **Cash flow** | | | | |
| EBITDA (note 2) | **$ 159,879** | $ 183,295 | $ 197,532 | $ 174,874 |
| Cash provided by operations | **138,578** | 132,961 | 124,705 | 97,393 |
| Additions to capital assets | **55,595** | 61,086 | 91,109 | 98,955 |
| Business acquisitions | **–** | – | 19,768 | 129,949 |
| Dividends | **11,350** | 12,077 | 12,174 | 10,259 |
| Dividends per Class B share | **.32** | .32 | .31 | .28 |
| Cash flow per Class B share (note 3) | **3.39** | 3.47 | 3.48 | 3.28 |

* After pre-tax unusual items of $7.7 million.

** After pre-tax unusual items of $18.8 million.

*** After net pre-tax gain of $0.4 million on sale of Kolmar Cosmetics, the Powder operations and write-down of U.K. Parkfields unit.

**** After pre-tax gain of $65.9 million on sale of Crown Cork & Seal shares and asset write-down and provision for restructuring costs of $69.7 million.

***** After pre-tax gain of $48.2 million on sale of Crown Cork & Seal shares.

****** After pre-tax provision of $30.0 million for decline in real estate values and gain of $23.0 million on sale of Crown Cork & Seal shares.

Note 1 Class B shares include outstanding exchangeable shares.

Note 2 EBITDA defined as earnings before interest, unusual items, income taxes, depreciation and amortization.

Note 3 Cash flow defined as net earnings before unusual items, plus depreciation and amortization.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $ 1,283,192 | $ 1,151,546 | $ 979,318 | $ 933,226 | $ 830,264 | $ 709,602 | $ 596,377 |
| 56,464 | 45,790 | 37,651 | 35,448 | 33,035 | 28,910 | 26,447 |
| 23,583 | 18,653 | 11,952 | 8,884 | 10,899 | 15,777 | 19,487 |
| *** 40,710 | 38,646 | 32,768 | 28,035 | **** 6,103 | ***** 44,708 | ****** 185 |
| 40,710 | 38,646 | 32,768 | 28,035 | 6,103 | 44,708 | 185 |
| | | | | | | |
| *** 1.16 | 1.13 | .98 | .85 | **** .19 | ***** 1.37 | ****** [illegible] |
| 1.16 | 1.13 | .98 | .85 | .19 | 1.37 | .01 |
| | | | | | | |
| $ 456,793 | $ 313,361 | $ 266,204 | $ 250,514 | $ 287,670 | $ 314,651 | $ 164,742 |
| 417,115 | 256,711 | 208,493 | 218,703 | 236,265 | 239,583 | 155,267 |
| 39,678 | 56,650 | 57,711 | 31,811 | 51,405 | 75,068 | 9,475 |
| 1,243,175 | 842,254 | 780,079 | 651,004 | 650,919 | 737,442 | 598,211 |
| 521,347 | 234,444 | 242,848 | 133,875 | 66,739 | 248,792 | 198,317 |
| 449,880 | 394,104 | 357,867 | 335,287 | 313,621 | 302,925 | 257,178 |
| 1.16 | .59 | .68 | .40 | .21 | .82 | .77 |
| 53.7% | 37.3% | 40.4% | 28.5% | 17.5% | 45.1% | 43.5% |
| | | | | | | |
| 2,474 | 2,498 | 2,509 | 3,425 | 3,560 | 3,678 | 3,882 |
| 33,512 | 32,477 | 31,612 | 29,503 | 30,292 | 29,229 | 29,151 |
| 35,295 | 34,436 | 33,710 | 33,313 | 33,246 | 32,879 | 32,784 |
| | | | | | | |
| $ 139,896 | $ 120,953 | $ 100,991 | $ 89,180 | $ 65,518 | $ 63,210 | $ 53,277 |
| 108,657 | 73,359 | 60,430 | 49,677 | 20,912 | 20,020 | 14,880 |
| 72,522 | 43,172 | 44,743 | 49,235 | 62,253 | 41,786 | 35,146 |
| 274,227 | 12,397 | 128,222 | 10,045 | – | 13,858 | 30,519 |
| 9,797 | 9,542 | 9,374 | 9,156 | 9,175 | 9,024 | 8,989 |
| .28 | .28 | .28 | .28 | .28 | .28 | .28 |
| 2.76 | 2.45 | 2.09 | 1.91 | 1.44 | 1.29 | .98 |

# ELEVEN YEAR FINANCIAL SUMMARY

IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AND RATIO DATA

| | **2001** | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| **Sales and net earnings** | | | | |
| Sales | **$ 1,600,497** | $ 1,589,087 | $ 1,568,875 | $ 1,469,195 |
| Depreciation and amortization | **89,193** | 90,555 | 84,210 | 75,710 |
| Interest expense | **32,415** | 36,560 | 35,642 | 35,195 |
| Earnings from continuing operations | *** 24,891** | ** 26,654 | 53,630 | 44,394 |
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| Net earnings per Class B share | **.70** | .70 | 1.36 | 1.22 |
| **Financial position** | | | | |
| Current assets | **$ 488,105** | $ 434,418 | $ 447,403 | $ 429,990 |
| Current liabilities | **264,519** | 243,660 | 298,663 | 261,251 |
| Working capital | **223,586** | 190,758 | 148,740 | 168,739 |
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| Net debt | **435,755** | 486,139 | 512,601 | 506,057 |
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| Net debt to equity ratio | **.77** | .87 | .91 | .89 |
| Net debt to total capitalization | **43.6%** | 46.5% | 47.6% | 47.0% |
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| Weighted average for the year | **35,974** | 38,267 | 39,668 | 36,596 |
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| Business acquisitions | **–** | – | 19,768 | 129,949 |
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* After pre-tax unusual items of $7.7 million.

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Note 3 Cash flow defined as net earnings before unusual items, plus depreciation and amortization.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| | | | | | | |
| $ 1,283,192 | $ 1,151,546 | $ 979,318 | $ 933,226 | $ 830,264 | $ 709,602 | $ 596,377 |
| 56,464 | 45,790 | 37,651 | 35,448 | 33,035 | 28,910 | 26,447 |
| 23,583 | 18,653 | 11,952 | 8,884 | 10,899 | 15,777 | 19,487 |
| *** 40,710 | 38,646 | 32,768 | 28,035 | **** 6,103 | ***** 44,708 | ****** 185 |
| 40,710 | 38,646 | 32,768 | 28,035 | 6,103 | 44,708 | 185 |
| | | | | | | |
| *** 1.16 | 1.13 | .98 | .85 | **** .19 | ***** 1.37 | ****** .01 |
| 1.16 | 1.13 | .98 | .85 | .19 | 1.37 | .01 |
| | | | | | | |
| $ 456,793 | $ 313,361 | $ 266,204 | $ 250,514 | $ 287,670 | $ 314,651 | $ 164,742 |
| 417,115 | 256,711 | 208,493 | 218,703 | 236,265 | 239,583 | 155,267 |
| 39,678 | 56,650 | 57,711 | 31,811 | 51,405 | 75,068 | 9,475 |
| 1,243,175 | 842,254 | 780,079 | 651,004 | 650,919 | 737,442 | 598,211 |
| 521,347 | 234,444 | 242,848 | 133,875 | 66,739 | 248,792 | 198,317 |
| 449,880 | 394,104 | 357,867 | 335,287 | 313,621 | 302,925 | 257,178 |
| 1.16 | .59 | .68 | .40 | .21 | .82 | .77 |
| 53.7% | 37.3% | 40.4% | 28.5% | 17.5% | 45.1% | 43.5% |
| | | | | | | |
| 2,474 | 2,498 | 2,509 | 3,425 | 3,560 | 3,678 | 3,882 |
| 33,512 | 32,477 | 31,612 | 29,503 | 30,292 | 29,229 | 29,151 |
| 35,295 | 34,436 | 33,710 | 33,313 | 33,246 | 32,879 | 32,784 |
| | | | | | | |
| $ 139,896 | $ 120,953 | $ 100,991 | $ 89,180 | $ 65,518 | $ 63,210 | $ 53,277 |
| 108,657 | 73,359 | 60,430 | 49,677 | 20,912 | 20,020 | 14,880 |
| 72,522 | 43,172 | 44,743 | 49,235 | 62,253 | 41,786 | 35,146 |
| 274,227 | 12,397 | 128,222 | 10,045 | – | 13,858 | 30,519 |
| 9,797 | 9,542 | 9,374 | 9,156 | 9,175 | 9,024 | 8,989 |
| .28 | .28 | .28 | .28 | .28 | .28 | .28 |
| 2.76 | 2.45 | 2.09 | 1.91 | 1.44 | 1.29 | .98 |

CCL has adopted formal governance practices in accordance with the guidelines published by the Toronto Stock Exchange (TSE). The guidelines set out recommendations concerning the responsibilities, composition, and practices of boards of directors and their committees.

## Mandate of the Board

CCL's Board has a written mandate which includes among the duties and objectives of the Board the approval and monitoring of the strategic, business and capital plans of the Corporation; succession planning for senior management; assessment of risk factors affecting the Corporation; and ensuring the integrity of the reporting and information controls that enable the Board to function effectively.

## Composition of the Board

The TSE recommends that the majority of directors on the Board be "unrelated" to the Corporation. At present, six of the Company's nine directors are unrelated, which means that they are not members of management, and do not have any material interests or relationships with the Corporation other than as shareholders.

## Board Committees

The TSE recommends that committees of the Board generally be composed of outside directors (meaning directors who are not employees of the Corporation), a majority of whom are also unrelated directors.

**The Audit Committee** consists of five directors, three of whom are unrelated and outside directors, and one of whom is an outside related director. Its mandate includes: the review of financial statements; the monitoring of appropriate accounting and financial system controls; and the evaluation of the external auditors.

**The Human Resources Committee** consists of five unrelated and outside directors. The mandate of this committee includes: the recommendation of executive compensation programs for all officers including the CEO; review of officers' performance; monitoring and managing the succession planning process; reviewing the appropriateness of directors' compensation; and evaluating the performance of the CEO.

**The Nominating and Governance Committee** consists of four directors, three of whom are outside and unrelated directors. The mandate of the committee includes: finding and recommending new directors; the orientation and education of directors; the recommendation of directors for committee memberships; and the overall monitoring of the performance of the Board of Directors and its committees.

**The Environment and Health & Safety Committee** consists of four directors, two of whom are unrelated and outside directors. The committee is responsible for reviewing the Corporation's policies and programs governing health, safety and environmental matters, monitoring the effectiveness of current management systems and recommending improvements as needed.

*For a complete discussion of CCL's corporate governance practices, please refer to CCL's Management Proxy Circular.*

# DIRECTORS, OFFICERS AND MEMBERS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

## Directors

**Jon K. Grant**, B.A. (Hon.), LL.D.
*Chairman*

Jon K. Grant is chairman of the board of the Laurentian Bank of Canada, and has been a director of CCL since 1994. He is also former chairman and CEO of the Quaker Oats Company of Canada Limited, former chairman of Scott Paper Limited, former chairman of the Canada Lands Company and chair of the board of governors of Trent University. Mr. Grant is also a director of B2B Trust, and AXA (Canada) Insurance. He is currently vice chairman of the Nature Conservancy of Canada and chair of the Canadian Canoe Museum.

*Chairman of:* Environment and Health & Safety Committee
*Member of:* Nominating and Governance Committee
Human Resources Committee

**Donald G. Lang**, B.A. (Hon.)
*President & CEO*

Donald G. Lang became president and CEO of CCL in 1999. Previously, he was CCL's president and COO, after leading CCL Custom Manufacturing in Chicago, Illinois, for five years. A 20-year veteran of CCL, Mr. Lang has been a company director since 1991 and is on the Advisory Committee of the Richard Ivey School of Business.

*Member of:* Environment and Health & Safety Committee

**Paul J. Block**

Paul Block is chairman and CEO of Proteus Capital Associates, LLC, an investment banking firm. He also provides international consulting services to Federated Department Stores, CITIC (China International Trust and Investment Corporation), and to CP Group of Thailand. Previously, Mr. Block was a senior consultant to Lehman Brothers, senior advisor to American International Group (AIG) and was chairman and president of Revlon International. Mr. Block is a board member of the CITIC Technology Fund, the China Retail Fund and the Shanghai-Syracuse University International School of Business. He is also a member of the Advisory Board of the Syracuse University School of Management. Mr. Block has served as a director of CCL since 1997.

*Chairman of:* Human Resources Committee
*Member of:* Audit Committee

**Dermot G. Coughlan**
*F.C.C.A. – U.K.*

Dermot G. Coughlan is chairman and CEO of Derland Holdings Inc., a private investment holding company. He is also the former founder, chairman and CEO of Derland Industries Limited. Mr. Coughlan has served as a director of CCL since 1991. He is a member of, and has served on, the board of the Chief Executives Organization from 1994 to 2000, in addition to a number of community and private boards. He currently provides international consulting services to a variety of major industrial concerns worldwide.

*Chairman of:* Audit Committee
*Member of:* Human Resources Committee

**Albert Gnat**, LL.B., Q.C.

Albert Gnat is a partner at Lang Michener, a Toronto law firm. Mr. Gnat has served major public corporations for more than 25 years as a specialist in securities law, mergers and acquisitions, and finance transactions. A director of CCL since 1973, Mr. Gnat also serves on the boards of several other Canadian corporations including AMJ Campbell Inc., Leitch Technology Corporation, IKEA Limited, MDC Corporation Inc., Rogers Communications Inc., Rogers Wireless Communications Inc., Slater Steel Inc., and Vitran Corporation.

*Member of:* Audit Committee
Environment and Health & Safety Committee

**Stephen J. Friedman**, LL.B., A.B.

Stephen Friedman is a senior partner with the New York-based international law firm of Debevoise & Plimpton. Mr. Friedman was previously executive vice president and general counsel of the Equitable Companies Inc. He served as commissioner of the Securities and Exchange Commission and as deputy assistant secretary of the Treasury for Capital Markets Policy. Mr. Friedman also serves on the boards of the American Ballet Theatre, the Practising Law Institute and the United Way of New York City.

*Member of:* Human Resources Committee
Nominating and Governance Committee

**Jean-René Halde**, M.B.A., M.A.

Jean-René Halde is president and CEO of Irwin Toy Limited and was president and CEO of Livgroup Investments Ltd., which succeeded Livingston Group Inc., where he was president and CEO from 1995 to 2001. Prior to this he served as president and CEO of Culinar Inc. from 1987 to 1994. Mr. Halde is a member of the Canadian Council of Chief Executives and the World President's Organization.

*Chairman of:* Nominating and Governance Committee
*Member of:* Environment and Health & Safety Committee

**Stuart W. Lang**, B.Sc. (Eng.)
*President, CCL Label International*

Stuart W. Lang became president, CCL Label International, in 2002. Previously he was president of CCL Label Canada and has been a director since 1991. He has held senior positions throughout the Custom Manufacturing and Label Divisions since joining the Company in 1982. Prior to this, Mr. Lang played for the CFL's Edmonton Eskimos for eight years following his graduation from Queen's University.

*Member of:* Audit Committee
Nominating and Governance Committee

**Lawrence G. Tapp**, B.A., B.B.A.

Lawrence G. Tapp is dean of the Richard Ivey School of Business. He is an international chief executive officer as well as an innovative educator, and is skilled in initiating change and improving performance. A CCL director since 1994, Mr. Tapp was vice chairman, president and CEO of Lawson Mardon Group Ltd. from 1985 to 1992.

*Member of:* Audit Committee
Human Resources Committee

## Officers

Akhil Bhandari
*Vice President,*
*Information Technology,*
*and Chief Information Officer*

Paul Cummings
*Vice President, and President*
*CCL Custom Manufacturing*

Gene Dorsch
*Vice President, and President*
*CCL Plastic Packaging*

Jon K. Grant
*Chairman of the Board*

Steven W. Lancaster
*Senior Vice President*
*and Chief Financial Officer*

Donald G. Lang
*President and*
*Chief Executive Officer*

Stuart W. Lang
*Vice President, and President*
*CCL Label International*

Geoffrey Martin
*Vice President, and President*
*CCL Label*

Mary T. Roy
*Vice President*
*Environmental and Regulatory Services*

Bohdan I. Sirota
*General Counsel and*
*Secretary*

Meldon H. Snider
*Executive Vice President*

Janis M. Wade
*Senior Vice President*
*Human Resources and*
*Corporate Communications*

Rami E. Younes
*Vice President, and President*
*CCL Container*

Richard Zakaib
*Vice President,*
*Corporate Development*

**Auditors**
KPMG LLP
Chartered Accountants

**Legal Counsel**
Lang Michener

**Transfer Agent**
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9
E-mail: inquires@cibcmellon.com
Answer Line: (416) 643-5500 or
(800) 387-0825

**Financial Information**
Institutional investors, analysts and registered representatives requiring additional information may contact:

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Senior Vice President and CFO
(416) 756-8517

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**Annual Shareholders' Meeting**
The Annual and Special Shareholders' Meeting will be held on
May 2, 2002 at 4:00 p.m.
TSE Conference Centre
TSE Auditorium
The Exchange Tower
130 King Street West
Toronto, Ontario

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**Class B Share Information**

| | |
|---|---|
| Stock Symbol | CCL.B |
| Listed | TSE |
| Opening Price | $ 8.75 |
| Closing Price | $ 14.60 |
| Number of Trades | 11,213 |
| Trading Volume (shares) | 22,428,974 |
| Trading Value | $ 236,184,739 |
| Annual Dividends Declared | $ .32 |

**Shares Outstanding at December 31, 2001**

| | |
|---|---|
| Class A | 2,463,039 |
| Class B | 31,669,304 |

There are two classes of CCL shares. Class A shares are voting and Class B are non-voting shares. Share attributes of both classes are listed on page 26 of this report.

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90 TABLETS/COMPRIMÉS